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

If you have sold or transferred all your shares in **Zhejiang Shibao Company Limited** you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ZHEJIANG SHIBAO COMPANY LIMITED*

浙江世寶股份有限公司

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

(Stock Code: 1057)

(A) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES IN THE PRC AND (B) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND CERTAIN CORPORATE GOVERNANCE POLICIES

A letter from the Board is set out on pages 4 to 22 of this circular.

A notice convening the EGM to be held at the conference room of the Company at 3rd Floor of Office Building No. 6, 17th Avenue, Hangzhou Economic and Technological Development Zone, Hangzhou, Zhejiang Province, China on 2 December 2022, Friday at 2:00 p.m. has been despatched by the Company on 18 October 2022. A notice convening the H Shareholders' Class Meeting to be held at the conference room of the Company at 3rd Floor of Office Building No. 6, 17th Avenue, Hangzhou Economic and Technological Development Zone, Hangzhou, Zhejiang Province, China on 2 December 2022, Friday at 3:00 p.m. (or immediately after the conclusion or adjournment of the A Shareholders' Class Meeting which will be held at the same place and date) has been despatched by the Company on 18 October 2022.

The proxy forms for the EGM and the H Shareholders' Class Meeting have been despatched by the Company on 18 October 2022.

Whether or not you are able to attend the EGM or the H Shareholders' Class Meeting, you are requested to complete and return the appropriate form(s) of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or the H Shareholders' Class Meeting (or any adjournment thereof (as the case may be)). Completion and return of the form(s) of proxy will not affect your rights to attend in person and vote at the EGM or the H Shareholders' Class Meeting (as the case may be), should you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“A Share(s)”	PRC listed A Share(s) of the Company, with nominal value of RMB1.00 each, which are listed and traded on the Shenzhen Stock Exchange
“A Shareholder(s)”	holder(s) of A Share(s)
“A Shareholders’ Class Meeting”	the class meeting of the A Shareholders to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Class Meetings”	the A Shareholders’ Class Meeting and H Shareholders’ Class Meeting
“Company”	浙江世寶股份有限公司 (Zhejiang Shibao Company Limited*), a joint stock limited company incorporated in the PRC, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and on the Shenzhen Stock Exchange, respectively
“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares and the Proposed Amendments to the Articles of Association
“H Share(s)”	overseas listed foreign share(s) of the Company, with nominal value of RMB1.00 each, which are listed and traded on the Hong Kong Stock Exchange

DEFINITIONS

“H Shareholder(s)”	holder(s) of H Share(s)
“H Shareholders’ Class Meeting”	the class meeting of the H Shareholders to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	3 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Non-public Issuance of A Shares”	the proposed issue of not more than 236,893,391 new A Shares by the Company in the PRC, which are proposed to be listed and traded on the Shenzhen Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Price Determination Date”	the first day of the offering period of the Non-public Issuance of A Shares
“Projects”	the various projects as described under the paragraph headed “Amount and use of proceeds” in the Letter from the Board in this circular to which the proceeds to be raised from the Non-public Issuance of A Shares are intended to be applied
“Proposed Amendments”	the proposed amendments to the Articles of Association as set out in Appendix V to this circular
“RMB”	Renminbi, the lawful currency of the PRC for the time being
“Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	A Share(s) and H Share(s), or the context requires, either of them
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange of the PRC
“Shibao Holding”	Zhejiang Shibao Holding Group Co., Ltd.* (浙江世寶控股集團有限公司), the controlling Shareholder of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent.

LETTER FROM THE BOARD



ZHEJIANG SHIBAO COMPANY LIMITED*

浙江世寶股份有限公司

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

(Stock Code: 1057)

Executive Directors:

Mr. Zhang Bao Yi

(Vice chairman and General Manager)

Mr. Tang Hao Han

Ms. Zhang Lan Jun

Ms. Liu Xiao Ping

Registered Office:

No. 1 Shuanglin Road

Fotang Town

Yiwu City

Zhejiang Province China

(Postal Code 322002)

Non-executive Directors:

Mr. Zhang Shi Quan *(Chairman)*

Mr. Zhang Shi Zhong

*Head Office and Principal Place of Business
in Hong Kong:*

Unit C, 5/F

Jonsim Place

228 Queen's Road East

Wanchai

Hong Kong

Independent Non-executive Directors:

Mr. Gong Jun Jie

Mr. Lin Yi

Mr. Tsui Chun Shing

10 November 2022

To the Shareholders

Dear Sir or Madam,

**(A) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES IN THE PRC;
AND
(B) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND CERTAIN CORPORATE GOVERNANCE POLICIES**

I. INTRODUCTION

References are made to the announcements of the Company dated 18 October 2022 in relation to (a) the proposed Non-public Issuance of A Shares in the PRC; and (b) the Proposed Amendments to the Articles of Association of the Company.

* For identification purpose only

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The primary purpose of this circular is to provide you with, among other matters, (i) details of the proposed Non-public Issuance of A Shares; (ii) details of the Proposed Amendments to the Articles of Association and certain corporate governance policies of the Company; and (iii) other information required under the Listing Rules, to enable you to make informed decisions on whether to vote for or against such resolutions:

- (1) the resolution in relation to the fulfillment of the issue criteria by the Company;
- (2) the resolutions in relation to the Non-public Issuance of A Shares;
- (3) the resolution in relation to the issue proposal;
- (4) the resolution on the non-preparation of report on the use of proceeds previously raised;
- (5) the resolution in relation to the feasibility study report;
- (6) the resolution in relation to the authorisation to the Board to deal with, in its absolute discretion, matters relating to the Non-public Issuance of A Shares;
- (7) the resolution in relation to the risk alert for the dilution of current returns as a result of the Non-public Issuance of A Shares, the adoption of the remedial measures and the undertakings given by relevant parties;
- (8) the resolution in relation to the future plan regarding return to Shareholders;
- (9) the resolution in relation to the Proposed Amendments to the Articles of Association;
- (10) the resolution in relation to the amendments to the Rules of Procedures for the Shareholders General Meeting;
- (11) the resolution in relation to the amendments to the Rules of Procedures for the Board of Directors;
- (12) the resolution in relation to the amendments to the Rules of Procedures for the Supervisory Committee; and
- (13) the resolution in relation to the amendments to the Policy for Management of Raised Proceeds.

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II. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

The Company proposes to issue not more than 236,893,391 new A Shares, representing 30% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 23.08% of the total issued share capital of the Company as enlarged by the issuance of the A Shares upon completion of the Non-public Issuance of A Shares.

1. The resolution in relation to the fulfillment of the issue criteria by the Company

According to the relevant laws, regulations and regulatory documents, including the Company Law, the Securities Law, the Administrative Measures for the Issuance of Securities by Listed Companies and the Implementation Rules for the Non-public Offering of Stocks of Listed Companies, and with reference to its relevant conditions of non-public issuance of shares, the Company has conducted checks individually on its actual operational conditions and relevant issues. The Board believes that the Company fulfils each of the conditions of the Non-public Issuance of A Shares.

The resolution on the fulfillment of the issue criteria for the Non-public Issuance of A Shares by the Company will be proposed to the Shareholders for consideration and approval by way of an ordinary resolution at the EGM.

2. the resolutions in relation to the Non-public Issuance of A Shares

Set out below are details of the resolutions on the issuance plan of the Non-public Issuance of A Shares to be submitted to the Shareholders for consideration and approval by way of special resolutions on an individual basis at the EGM and the Class Meetings. The final issuance plan and the implementation shall be subject to the approval of the CSRC.

2.1 Class and nominal value of Shares to be issued

A Shares with a nominal value of RMB1.00 each.

2.2 Method and time of issue

Non-public issue to specific subscribers. The Company will issue new A Shares at such time as it considers appropriate within the validity period as prescribed in the approval documents of the CSRC.

2.3 Subscribers and manners of subscription

The new A Shares to be issued under the Non-public Issuance of A Shares will be issued for subscription by not more than 35 investors, including securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors that satisfy the requirements of CSRC and

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relevant PRC laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and RMB-qualified foreign institutional investors, which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single subscriber. Trust companies may only subscribe for the A Shares with their own funds. Upon obtaining the approval from the CSRC for the Non-public Issuance of A Shares, the final subscribers will be determined by the Board under the authorisation granted by the Shareholders at the general meeting in consultation with the sponsor (lead underwriter), having regard to the price offered by the investors. In the event that the laws, regulations and regulatory documents of the PRC have new requirements in relation to target subscribers of the Non-public Issuance of A Shares, the Company will make adjustments according to such new requirements.

All subscribers will subscribe in cash for the new A Shares to be issued pursuant to the Non-public Issuance of A Shares.

2.4 Number of new A Shares to be issued

The number of A Shares to be issued under the Non-public Issuance of A Shares shall be determined by dividing the total raised proceeds from the Non-public Issuance of A Shares by the issue price and shall not exceed 30% of the total share capital of the Company prior to the Non-public Issuance of A Shares (i.e. will not exceed 236,893,391 new A Shares).

Subject to the aforesaid, the final number of new A Shares to be issued will be determined by the Board after taking into consideration the market conditions and in consultation with the sponsor (lead underwriter) under the authorisation granted by the Shareholders at the general meeting.

In case of any change of the share capital, such as bonus issue and capitalisation of capital reserve, during the period from the date of the Board resolution approving the Non-public Issuance of A Shares to the date of issue of such new A Shares, the maximum number of new A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly.

2.5 Issue price, price determination date and pricing principles

The Price Determination Date under the Non-public Issuance of A Shares will be the first day of the offering period. The issue price of the Non-public Issuance of A Shares shall be no less than 80% of the average trading price of A Shares for the 20 trading days preceding the Price Determination Date (the average trading price of A Shares for the 20 trading days preceding the Price Determination Date = the total

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turnover of A Shares traded for the 20 trading days preceding the Price Determination Date divided by the total volume of A Shares traded for the 20 trading days preceding the Price Determination Date).

The minimum issue price will be adjusted accordingly if any ex-rights or ex-dividends events of the A Shares of the Company, such as the declaration of dividends, bonus issue, and capitalization from capital reserve, occur during the period from the Price Determination Date to the date of issue of A Shares.

The final issue price shall be determined, after the approval documents have been obtained from the CSRC, by the Board under the authorization granted by the Shareholders at the general meeting, together with the sponsor (lead underwriter) in accordance with the requirements of the relevant laws and regulations and other regulatory requirements and based on the bid price tendered by the target investors and the price priority principle.

2.6 Lock-up period

Upon completion of the Non-public Issuance of A Shares, the A Shares to be subscribed by the subscribers under the Non-public Issuance of A Shares shall be subject to a lock-up period of six months from the date of completion of the Non-public Issuance of A Shares (the “**Lock-up Period**”). If a subscriber obtains any additional A Shares derived through the distribution of bonus shares or capitalisation issue by the Company or for other reasons, these Shares will be subject to the aforesaid agreed lock-up arrangement. In the event that any subscriber reduces its shareholding in the Company upon the expiration of the Lock-up Period, it is required to observe the relevant requirements under the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and other laws, regulations, rules and regulatory documents, requirements of Shenzhen Stock Exchange and the Articles of Association.

2.7 Place of listing

Application will be made by the Company for listing of the Shares to be issued under the Non-public Issuance of A Shares on the Shenzhen Stock Exchange.

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2.8 Amount and use of proceeds

The amount of gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB1,180 million. The Company intends to use such proceeds (after deducting the relevant expenses) for the following purposes:

Intended use of proceeds	Total amount of capital required to be applied (RMB)	Proposed amount of proceeds to be applied (RMB)
1. The annual production of 600,000 automobile intelligent steering system technical transformation project (新增年產60萬台套汽車智能轉向系統技術改造項目)	300,000,000	300,000,000
2. The automotive intelligent steering system and key components development project (汽車智能轉向系統及關鍵部件建設項目)	500,000,000	500,000,000
3. The intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)	180,000,000	180,000,000
4. The replenishment of working capital (補充流動資金)	<u>200,000,000</u>	<u>200,000,000</u>
Total	<u><u>1,180,000,000</u></u>	<u><u>1,180,000,000</u></u>

In the event that the actual amount of net proceeds raised under the Non-public Issuance of A Shares is less than the total amount of proceeds proposed to be applied to the Projects set out above, the Company will utilise its internal resources or seek alternative financing to fund the shortfall and the Board can make appropriate adjustments to the application sequence and amount of the proceeds according to actual conditions. In particular, in the event that the actual amount of the net proceeds to be raised from the Non-public Issuance of A Shares is less than the amount of proceeds proposed to be applied to the Projects, the Company will, based on the actual fund raised, adjust and decide the application arrangement such as the order of priority of the Projects to be invested and the specific investment amount to each Project in accordance with the importance and urgency of the Projects.

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Before the proceeds from the Non-public Issuance of A Shares are available, the Company may fund the Projects in accordance with the progress of the Projects by other available resources first, which will be subsequently replaced by the proceeds from the Non-public Issuance of A Shares when they are available in accordance with the procedures of the relevant laws and regulations.

2.9 Arrangement relating to the accumulated undistributed profits prior to the Non-public Issuance of A Shares

Upon completion of the Non-public Issuance of A Shares, both existing and new Shareholders will be entitled to the accumulated undistributed profits of the Company.

2.10 Validity period of Shareholders' resolutions

The resolutions in relation to the Non-public Issuance of A Shares will be valid for 12 months from the date of the passing of such resolutions at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. If the Company has obtained the approval document from the CSRC on the Non-public Issuance of A Shares within the aforesaid validity period, the aforesaid validity period will be automatically extended to the date of completion of the Non-public Issuance of A Shares.

3. The resolution in relation to the issue proposal

The Company has prepared the issue proposal in respect of the Non-public Issuance of A Shares. For details, please refer to Appendix I to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution on the issue proposal in respect of the Non-public Issuance of A Shares will be submitted to the Shareholders for consideration and approval at the EGM and the Class Meetings as ordinary resolution and special resolution, respectively.

4. The resolution on the non-preparation of report on the use of proceeds previously raised

As at the date of Board approval, five accounting years have elapsed after the date of receipt of the proceeds previously raised. In accordance with the relevant requirements under the Regulation on the Report on the Use of Proceeds Previously Raised (Zheng Jian Fa Xing Zi [2007] No. 500)* (《關於前次募集資金使用情況報告的規定》(證監發行字[2007] 500號)), the Company is not required to prepare the report on the use of proceeds previously raised.

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The resolution on the non-preparation of the report on the use of proceeds previously raised will be submitted to the Shareholders for consideration and approval at the EGM as an ordinary resolution.

5. The resolution in relation to the feasibility study report

The Company has prepared the feasibility study report on the use of proceeds from the Non-public Issuance of A Shares. For details, please refer to Appendix II to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution in relation to the feasibility study report on the use of proceeds from the Non-public Issuance of A Shares will be submitted to the Shareholders for consideration and approval at the EGM and the Class Meetings as ordinary resolution and special resolution, respectively.

6. The resolution in relation to the authorisation to the Board to deal with, in its absolute discretion, matters relating to the Non-public Issuance of A Shares

In order to ensure the smooth implementation of the Non-public Issuance of A Shares, the Board has resolved that a resolution will be proposed at a general meeting to authorize the Board, at its absolute discretion, to deal with relevant matters in relation to the Non-public Issuance of A Shares, including, but not limited to:

- (1) to authorise the Board to formulate, implement and amend the specific proposal for the Non-public Issuance of A Shares, including the determination of the timing of issue, the number of shares to be issued, the commencement and ending dates of the issue, the issue price, the targets to whom the shares are to be issued and other matters within the ambit of the laws, regulations, relevant regulatory documents and the Articles of Association of the Company and to adjust the above proposals of the Non-public Issuance of A Shares within the ambit of the resolutions passed by the Shareholders of the Company in case of changes in the relevant policies made by the relevant regulatory authorities in relation to the Non-public Issuance of A Shares and market conditions;
- (2) to authorise the Board to determine and engage the professional parties for the Non-public Issuance of A Shares including the sponsor (underwriters) and to formulate, amend, supplement, sign, deliver, submit and implement all agreements and documents in relation to the Non-public Issuance of A Shares, including but not limited to the underwriting and sponsorship agreement etc. and to handle the information disclosure matters for the Non-public Issuance of A Shares in accordance with the regulatory requirements;

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- (3) to authorise the Board to formulate, amend and submit the application materials for the Non-public Issuance of A Shares in accordance with the requirements of the relevant securities regulatory authorities, to handle all necessary or appropriate application, registration and filing procedures and other related issuance reporting matters, and to handle the information disclosure matters for the Non-public Issuance of A Shares in accordance with the regulatory requirements in the PRC and overseas;
- (4) to authorise the Board to adjust the proposal of the Non-public Issuance of A Shares and the use of proceeds in case of new regulations or changes in the relevant policies made by the relevant regulatory authorities in relation to the Non-public Issuance of A Shares and market conditions (except those matters which are required to be re-approved by the Shareholders of the Company in general meeting pursuant to the relevant laws and regulations, the Articles of Association of the Company and the requirements of the relevant securities regulatory authorities);
- (5) to authorise the Board to handle relevant capital verification matters in relation to the Non-public Issuance of A Shares in accordance with the results of the Non-public Issuance of A Shares;
- (6) to authorise the Board to handle the matters relating to the registration, locking-up and listing of the new A Shares to be issued pursuant to the Non-public Issuance of A Shares with the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited, Shenzhen Branch after completion of the Non-public Issuance of A Shares;
- (7) to authorise the Board to amend the relevant clauses of the Articles of Association of the Company to reflect the new total share capital and shareholding structure and to handle the industrial and commercial amendment registration procedures in accordance with the results of the Non-public Issuance of A Shares;
- (8) to authorise the Board to, based on the market conditions and the requirements from the management departments, and within the ambit of the resolutions passed by the Shareholders of the Company, adjust the arrangements for the Projects, including but not limited to: the adjustment of the amount of the proceeds to be used, the implementation body, the implementation progress and the implementation method etc. of the Projects already confirmed; the opening of a designated account for the deposit of the proceeds, including determining the bank for opening the account, signing the supervision agreement, etc.; the detailed implementation of the use of proceeds after the completion of the Non-public Issuance of A Shares; the signing of material contracts in connection with

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the implementation of the use of proceeds; and the reduction of the number of Projects within the ambit of the Projects as approved in this general meeting in accordance with the actual circumstances or opinion of the relevant government authorities;

- (9) to authorise the Board to delegate the above authorisations to the chairman of the Board and any relevant person of the Company designated by the chairman of the Board to handle in his/her absolute discretion the relevant matters authorised on condition that the above authorisations are granted and except for any contrary requirements of the relevant laws and regulations;
- (10) to authorise the Board to, in the event of force majeure or other circumstances that cause material difficulties in the implementation of the Non-public Issuance of A Shares, or the implementation of which is feasible but would have a material adverse impact on the overall interests of the Company, postpone or terminate the implementation of the Non-public Issuance of A Shares at its discretion;
- (11) to authorise the Board to further analyze, study and demonstrate the impact of the Non-public Issuance of A Shares on the Company's current financial indicators and Shareholders' current return in accordance with laws, administrative regulations and normative documents and the policies and requirements of regulatory institutions such as the CSRC on refinancing for filling of current returns, and further formulate, revise, improve and implement the relevant return filling measures according to new policy changes and changes in the market environment, and deal with related matters;
- (12) to authorise the Board to deal with all other matters relating to the Non-public Issuance of A Shares within the ambit of the laws and regulations, relevant regulatory documents and the Articles of Association of the Company; and
- (13) the authorisations above will be valid for 12 months from the date of approval by the Shareholders of this resolution at the general meeting. If the Company has obtained the approval document from the CSRC on the Non-public Issuance of A Shares within the aforesaid validity period, the aforesaid validity period will be automatically extended to the date of completion of the Non-public Issuance of A Shares.

The resolution on authorising the Board to deal with relevant matters in relation to the Non-public Issuance of A Shares, which shall be valid for 12 months from the date of the approval by the Shareholders of this resolution (and if the Company has obtained the approval document from the CSRC on the Non-public Issuance of A Shares within the aforesaid validity period, the aforesaid validity period shall be automatically extended to

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the date of completion of the Non-public Issuance of A Shares), will be submitted to the Shareholders for consideration and approval at the EGM and the Class Meetings as ordinary resolution and special resolution, respectively.

7. The resolution in relation to the risk alert for the dilution of current returns as a result of the Non-public Issuance of A Shares, the adoption of the remedial measures and the undertakings given by relevant parties

In accordance with the requirements stated in the Certain Opinions of the State Council on Further Strengthening the Healthy Development of the Capital Market (Guo Fa [2014] No. 17)* (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110)* (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (CSRC Announcement [2015] No. 31)* (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), in order to safeguard the interests of minority investors, the Company has conducted diligence analysis of the impact of dilution of immediate return as a result of the Non-public Issuance of A Shares, and proposed specific remedial measures for returns. As responsible parties, the controlling shareholder, the actual controllers, Directors and senior management of the Company have provided the undertakings in respect of the dilution of immediate return resulting from the Non-public Issuance of A Shares of the Company.

For details, please refer to Appendix III to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution in relation to the risk alert for the dilution of current returns as a result of the Non-public Issuance of A Shares, the adoption of the remedial measures and the undertakings given by relevant parties will be submitted to the Shareholders for consideration and approval at the EGM as an ordinary resolution.

8. The resolution in relation to the future plan regarding return to Shareholders

In order to further strengthen the awareness of returning Shareholders, and provide Shareholders with continuous, stable and reasonable investment returns, in accordance with the requirements of the Company Law, the Securities Law, the Notice on Further Implementing Issues Concerning Cash Dividends 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》) and the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies (2022) (CSRC Announcement [2022] No. 3) (《上市公司監管指引第3號—上市公司現金分紅(2022年修訂)》(證監會公告[2022]3號)) as

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well as the Articles of Association, and taking into account the actual situation and future development needs of the Company, the Board has formulated the “Shareholders’ Return Plan for the Next Three Years (2022-2024)”.

For details of the “Shareholders’ Return Plan for the Next Three Years (2022-2024)”, please refer to Appendix IV to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution in relation to future plan regarding return to Shareholders will be submitted to the Shareholders for consideration and approval at the EGM as an ordinary resolution.

9. Impact of the issuance on the shareholding structure of the Company

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Non-public Issuance of A Shares, assuming that 236,893,391 new A Shares in aggregate are issued under the Non-public Issuance of A Shares and no other change to the shareholding structure:

	As at the Latest Practicable Date		Immediately after the completion of the Non-public Issuance of A Shares	
	<i>Number of Shares in issue</i>	<i>% (approx.)</i>	<i>Number of Shares in issue</i>	<i>% (approx.)</i>
A Shares				
– Shibao Holding	325,993,298	41.28	325,993,298	31.76
– Zhang Shi Quan	26,391,580	3.34	26,391,580	2.57
– Zhang Shi Zhong	7,500	0.001	7,500	0.001
– Public A Shareholders	220,467,259	27.92	220,467,259	21.48
– Subscribers of A Shares to be issued under the Non-public Issuance of A Shares	–	–	236,893,391	23.08
H Shares				
Public H Shareholders	<u>216,785,000</u>	<u>27.45</u>	<u>216,785,000</u>	<u>21.12</u>
Total	<u>789,644,637</u>	<u>100</u>	<u>1,026,538,028</u>	<u>100</u>

The target subscribers of the Non-public Issuance of A Shares do not include the Company’s controlling shareholder, the de facto controller and the related parties under their control.

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The Company will procure that the A Shares to be issued under the Non-public Issuance of A Shares will only be issued to the subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

There are no restrictions as to the number of A Shares to be subscribed for by a subscriber under the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and the PRC laws. Therefore, a subscriber may subscribe for 5% or more of the Company's Shares and may become a substantial Shareholder upon completion of the Non-public Issuance of A Shares. However, the Board considered that the possibility of a subscriber subscribing more than 5% of the Company's Shares is relatively low and the Company has no current plan to issue more than 5% of the Company's Shares to a subscriber.

Based on the publicly available information and to best of the Directors' knowledge, assuming that a total of 236,893,391 A Shares will be issued pursuant to the Non-public Issuance of A Shares and that there are no other changes to the share capital of the Company prior to the completion of the Non-public Issuance of A Shares, the Company will continue to satisfy the public float requirement under the Listing Rules after the completion of the Non-public Issuance of A Shares.

10. Fund raising activities of the Company during the past 12 months

The Company has not conducted any fund raising activity involving issue of equity securities in the period of 12 months preceding the Latest Practicable Date.

11. Reasons for and Benefits of the Non-public Issuance of A Shares

The Board is of the view that the Projects into which the proceeds from the Non-public Issuance of A Shares will be invested are intended for the following purposes and bring the following benefits:

(1) To capture the development opportunities of the industry, expand the scale of competitive products and promote the increase in the Company's profits

Currently, the domestic automobile steering enterprises have entered into a period of important scale-based growth opportunities with positive development for the overall industry, transformation and upgrading of the product structures, entry into international supply chain system as well as improvement in localization of components. The opportunities and challenges coexist. The Company is also facing relatively intensive competition pressure.

Given that the Company has accumulated certain technological reserves in terms of automotive intelligent steering, it is necessary for the Company to implement "the annual production of 600,000 automobile intelligent steering system technical

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transformation project” and “automotive intelligent steering system and key components development project” as soon as possible, so as to timely seize the market opportunities of motorization, intelligence and networking. After the projects to be invested with the proceeds have ramped up to full capacity, leveraging on its advanced equipment and technologies, the Company can build a capacity structure in a timely manner that adapts to the industry development trend, expand the Company’s production scale of competitive products, consolidate and enhance its market share and positioning in the automotive steering gear industry and strengthen its anti-risk capability and sustainability, which enables the Company to develop its business in a sustained, rapid and healthy manner. Through the Non-public Issuance of A Shares, the Company will take full use of the advantage of the financing platform as a listed company, seize the development opportunities in the market, and expand the scale of competitive products with a view to improving its overall profitability and maximising its Shareholders’ interests.

(2) To enhance the Company’s development and research capacity and build up the future automotive steering technologies

The Company has always focused on the automotive steering gears and key components for other steering system businesses and has conducted in-depth theoretical research in this professional field over the years while accumulating rich experience. The Company also attaches greater importance to the synchronous research and development of technology, production process and fully-automated production equipment while actively developing new projects with customers, and is actively engaged in future steering technology research and development and industrialization.

Wire-controlled chassis is the cornerstone to achieve level 3 (L3) automatic driving. As one of the key technologies of wire-controlled chassis, wire-controlled steering is under the small-scale sample stage. Therefore, the Company aims to seize the development opportunity of the wire-controlled chassis under the major trend of automobile intelligence and electrification, and intends to build an automobile steer-by-wire technology research and development center by upgrading and expanding the existing research and development center, as well as increasing the investment in research and development of equipment and supporting professional software. On the basis of existing automobile electronic technology development capability, the Company will carry out vertical and horizontal technology research in the field of automotive intelligent driving, improve the technology research and development innovation system and further strengthen the synchronous development and design ability with customers in order to enhance the overall research and development level and technical strength of the Company and build up the future automotive steering technologies.

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(3) To optimise the Company's capital structure and reduce financial risks

The automotive steering industry is capital and technology intensive. With the continuous expansion of the Company's business scale and the further development of its existing business in the future, there is increasing demand for capital from the Company that would be exposed to greater capital pressure. To use the Non-public Issuance of A Shares to raise proceeds is a crucial approach for the Company to comprehensively improve its competitiveness and achieve sustainable development, which allows the Company to relieve the funding pressure, arrange its various production, operation and investment activities in an orderly manner, enhance its profitability and risk resistance, and also provides with financial support for the Company to successfully achieve its strategic layout.

In view of the above, the Directors consider that the Non-public Issuance of A Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

12. Analysis of the operating revenue and net profit of the Group

For the three years ended 31 December 2021 and the six months ended 30 June 2021 and 30 June 2022, the Group recognized revenue in the amount of approximately RMB982.4 million, RMB1,102.1 million, RMB1,177.9 million, RMB573.0 million and RMB554.1 million, respectively, and recorded net profit in the amount of approximately RMB-195.9 million, RMB34.6 million, RMB25.6 million, RMB32.5 million and RMB1.2 million, respectively.

For the year ended 31 December 2019, due to the combined effect of several factors, including (i) an overall unsatisfactory performance of the automobile industry; (ii) the non-performance of relevant supply agreements by certain customers of the Company who encountered business deterioration; (iii) a decrease in sales price for quickly opening the new market for the transformed products; and (iv) a suspension of supply due to quality issue of some export products and the increase in warranty expenses, including the costs for replacement and repair for some export products with defects borne by the Group, the Group recognized a revenue of approximately RMB982.4 million, representing a decrease of 13.30% as compared with previous year, and recorded a net loss of approximately RMB195.9 million.

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB1,102.1 million, representing an increase of 12.19% as compared with the year ended 31 December 2019, and recorded a net profit of approximately RMB34.6 million, as compared to the net loss of approximately RMB195.9 million for the year ended 31 December 2019, mainly attributable to (i) the improvement of the overall performance of automobile industry (including the increase in demand for commercial vehicles) due to the relief of coronavirus pandemic, the economic recovery, and the stimulation of the promotion policy; (ii) the boost of some profitable business (i.e. the sales of commercial

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vehicles steering products), which was better than the overall performance, and the substantial increase in sales of commercial vehicle steering products leading to cost optimization; and (iii) the decrease in warranty expenses as compared to the previous year.

For the year ended 31 December 2021, the Group recorded a revenue of approximately RMB1,177.9 million, representing a slight increase of 6.88% as compared with the year ended 31 December 2020, mainly attributable to the growth of the automobile industry in 2021. Nonetheless, the Group's net profit decreased by 26.01% from approximately RMB34.6 million in 2020 to approximately RMB25.6 million in 2021, mainly due to (i) the transportation cost incurred by the Group to fulfill the customer contract before the transfer of the control of goods in the current period that was presented in the "operating costs", which resulted in a corresponding reduction in the gross profit and selling expenses; (ii) the withdrawal of the government preferential policy of reducing the social security expenditure of enterprises since January 2021 due to the outbreak of the coronavirus pandemic during the corresponding period of last year, which increased the social security expenditure of the Group, leading to the increase in the Group's employee remuneration expenses in 2021; and (iii) the decrease in the sales volume of the Company's commercial vehicle steering products, which had higher profit margins, coupled with the increase in the sales volume of passenger car steering products, which borne more fixed costs.

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB554.1 million, representing a slight decrease of 3.31% as compared with the corresponding period of 2021, mainly due to the unfavorable performance of the automobile industry, especially the significant year-on-year decline in the production and sales volume of commercial vehicles. The Group's net profit decreased by 96.16% from approximately RMB32.5 million for the six months ended 30 June 2021 to approximately RMB1.2 million for the six months ended 30 June 2022, mainly due to the combined effect of (i) the transportation costs of RMB8.2 million incurred by the Group to fulfill the customer contract before the transfer of the control of goods in the current period that was presented in the "operating costs", which resulted in a corresponding reduction in the gross profit; (ii) the raw material procurement costs being at a high level; (iii) the decline in the sales of commercial vehicle steering products with higher gross margin; and (iv) the increased research and development expenses to maintain the Group's competitive edge in respect of sustainable development.

The Company will make further announcement(s) on the detailed terms of the Non-public Issuance of A Shares (including the final issue price, size, information of the final subscribers, and gross and net proceeds raised) once the terms are determined upon the completion of the Non-public Issuance of A Shares.

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III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND CERTAIN CORPORATE GOVERNANCE POLICIES

1. The resolution in relation to the Proposed Amendments to the Articles of Association

In accordance with the Listing Rules, the Guidelines for the Articles of Association of Listed Companies (revised in 2022) (CSRC Announcement [2022] No. 2) issued by the CSRC on 5 January 2022, and other relevant laws and regulations, and by taking into account the actual business needs of the Company, the Company proposed to make the Proposed Amendments to the Articles of Association.

Please refer to Appendix V to this circular for the comparison table of the amendments to the Articles of Association. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution in relation to the Proposed Amendments to the Articles of Association will be submitted to the Shareholders for consideration and approval at the EGM as a special resolution.

2. The resolutions in relation to the proposed amendments to the Rules of Procedures for the Shareholders General Meeting, the Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee

The Company also proposed to amend the relevant provisions of the Rules of Procedures for the Shareholders General Meeting, the Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee. Please refer to Appendix VI to Appendix VIII to this circular for the comparison tables of the amendments. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolutions in relation to the amendments to the Rules of Procedures for the Shareholders General Meeting, the Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee will be submitted to the Shareholders for consideration and approval at the EGM as ordinary resolutions.

3. The resolution in relation to the proposed amendments to the Policy for Management of Raised Proceeds

The Company further proposed to make certain amendments to the Policy for Management of Raised Proceeds for the management of use of proceeds raised from A Shares. For details, please refer to Appendix IX to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

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The resolution in relation to the amendments to the Policy for Management of Raised Proceeds will be submitted to the Shareholders for consideration and approval at the EGM as an ordinary resolution.

IV. EGM AND CLASS MEETINGS

The Company will convene the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting on Friday, 2 December 2022 at 3rd Floor of Office Building No. 6, 17th Avenue, Hangzhou Economic and Technological Development Zone, Hangzhou, Zhejiang Province, China for the Shareholders to consider and, if thought fit, approve resolutions relating to the Non-public Issuance of A Shares. The resolutions in relation to the Proposed Amendments to the Articles of Association and certain corporate governance policies will also be submitted to the Shareholders for consideration and approval at the EGM. Notices convening the EGM and the H Shareholders' Class Meeting have been despatched by the Company on 18 October 2022. Forms of proxy for use at the EGM and the H Shareholders' Class Meeting have been despatched by the Company on the same day.

Whether or not you are able to attend the EGM or the H Shareholders' Class Meeting, you are requested to complete and return the appropriate form(s) of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or the H Shareholders' Class Meeting (or any adjournment thereof (as the case may be)). Completion and return of the form(s) of proxy will not affect your rights to attend in person and vote at the EGM or the H Shareholders' Class Meeting (as the case may be), should you so wish.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Non-public Issuance of A Shares and the proposed amendments to the Articles of Association and certain corporate governance policies and therefore no Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM and/or the Class Meetings shall be voted by poll in accordance with the Listing Rules and the Articles of Association. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM and the Class Meetings.

V. CLOSURE OF REGISTER OF MEMBERS OF H SHARES

As notified in the notices convening the EGM and the H Shareholders' Class Meeting, the register of members of H Shares has been closed from Wednesday, 2 November 2022 and will remain closed until Friday, 2 December 2022 (both days inclusive), during which no transfer of H Shares will be registered, for the purpose of determining the identification of Shareholders qualified to attend and vote at the EGM and H Shareholders' Class Meeting. To be eligible to

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attend and vote at the EGM and H Shareholders' Class Meeting, share transfer documents accompanied by relevant share certificates must be lodged with the Company's H Share registrar (for holders of H Shares), Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. of Tuesday, 1 November 2022. Shareholders whose names appear on the register of members of H Shares on 2 December 2022 are entitled to attend and vote at the EGM and H Shareholders' Class Meeting.

VI. RECOMMENDATION

The Directors consider that each of the resolutions to be proposed at the EGM and the Class Meetings is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM and the Class Meetings.

VII. 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 in this circular misleading.

VIII. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

As the Non-public Issuance of A Shares is subject to certain conditions precedent, it may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours Faithfully,

For and on behalf of the Board of Directors of
Zhejiang Shibao Company Limited
Zhang Shi Quan
Chairman

The following is the full text of the proposal in respect of the Non-public Issuance of A Shares. This proposal is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

Stock code: 002703

Short name: Zhejiang Shibao



ZHEJIANG SHIBAO COMPANY LIMITED*

(Address: No. 1, Shuanglin Road, Fotang Town, Yiwu, Zhejiang Province)

Proposal for Non-public Issuance of A Shares in 2022

October 2022

STATEMENTS OF THE COMPANY

The Company and all members of the board of directors warrant that contents of the proposal are true, accurate and complete and does not contain false representation, misleading statement or material omission.

The Company shall bear its own responsibility for any changes in its operations and income following the Non-public Issuance of Shares; investors shall bear their own investment risks arising from the Non-public Issuance of Shares.

The proposal is the explanation of the Non-public Issuance of Shares made by the board of directors of the Company. Any statements to the contrary shall be deemed as misrepresentation.

If investors are in any doubt as to any aspect of the proposal, they should consult their stockbrokers, solicitors, professional accountants or other professional advisers.

The matters described in the proposal do not represent the substantial judgment, confirmation, approval or validation of the approving authorities in respect of relevant matters of the Non-public Issuance of Shares. The effectiveness and completion of the relevant matters of the Non-public Issuance of Shares described in the proposal are subject to the approval or validation by the relevant approving authorities.

* For identification purpose only

IMPORTANT NOTICES

1. Matters related to the Non-public Issuance of Shares have been approved by the tenth meeting of the seventh session of the board of directors held by the Company on 18 October 2022. The Non-public Issuance is still subject to consideration and approval by the Company's general meeting and class meetings as well as approval by the China Securities Regulatory Commission before implementation.
2. The target subscribers of the Non-public Issuance of Shares shall be not more than 35 specific investors, including securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors, qualified foreign institutional investors that satisfy the requirements of relevant laws and regulations and the CSRC and other legal persons, natural persons or other investors that are subject to the relevant laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and RMB-qualified foreign institutional investors that participate in the subscription with two or more of the products managed by them shall be taken as one single target subscriber. Trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

The target subscribers of the non-public issuance have not yet been determined. Upon the Company obtained the approval from the CSRC, the final target subscribers shall be determined by the board of directors of the Company (pursuant to the requirements of the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公开发行股票实施细则》)) under the authorization granted at the general meeting in consultation with the sponsor (lead underwriter) based on the prices offered by the target subscribers in accordance with the requirements of relevant laws, administrative regulations, departmental rules or regulatory documents. In the event that the laws and regulations of the PRC have new requirements in relation to the target subscribers of the Non-public Issuance of Shares, the Company will make adjustments according to such new requirements.

3. The price determination date under the Non-public Issuance of Shares will be the first day of the offering period of the Non-public Issuance of Shares. The issue price of the Non-public Issuance of Shares shall be no less than 80% of the average trading price of the Company's shares for the 20 trading days preceding the price determination date (the average trading price of shares for the 20 trading days preceding the price determination date = the total turnover of shares traded for the 20 trading days preceding the price determination date/the total volume of shares traded for the 20 trading days preceding the price determination date). The issue price will be adjusted accordingly if any ex-rights, ex-dividends events or other share capital adjustments of the shares of the Company, such as the declaration of dividends, bonus issue, and capitalization from capital reserve, occur during the period from the price determination date to the date of issue of the Non-public Issuance of Shares. The final issue price of the Non-public Issuance shall be determined,

through negotiation between the board of directors under the authorization granted at the general meeting of the Company in consultation with the sponsor (lead underwriter) of the Issuance according to enquiries in the market in accordance with the requirements of the relevant laws and regulations and other regulatory requirements after the approval documents have been obtained from the CSRC. In the event that the laws and regulations of the PRC have new requirements in relation to the issue pricing of the Non-public Issuance, the Company will make adjustments according to such new requirements.

4. The number of shares to be issued under the Non-public Issuance shall be determined by dividing the total raised proceeds by the issue price, and shall not exceed 30% of the total share capital of the Company prior to the Issuance, and shall be subject to the approval documents regarding the Non-public Issuance granted by the CSRC.

The final number of shares to be issued shall be determined, through negotiation between the board of directors under the authorization granted at the general meeting in consultation with the sponsor (lead underwriter) based on the maximum number of shares to be issued approved by the CSRC, the total proceeds, issue price and other specific conditions. The maximum number of shares for the Non-public Issuance will be adjusted accordingly if any ex-rights, such as bonus issue, the declaration of dividends, and capitalization from capital reserve, occur during the period from the date of the board resolution to the date of issue, or there is any change in the total share capital of the Company prior to the Non-public Issuance as a result of other reasons. If the total number of shares for the Non-public Issuance is adjusted due to a change in regulatory policies or in accordance with an issuance approval, the number of shares for the Non-public Issuance will then be adjusted accordingly.

5. Upon the completion of the Non-public Issuance, the shares of the Issuance shall not be transferred during a period of six months commencing from the closing date of the Issuance. In the event that relevant laws and regulations have otherwise provisions on the lock-up period, such provisions shall prevail. The shares derived from the shares of the Company acquired by the target subscribers pursuant to the Non-public Issuance as a result of the distribution of share dividends and capitalization of capital reserve by the Company shall also be subject to the above lock-up period arrangement. Upon the conclusion of the lock-up period, the target subscribers shall abide by the relevant provisions of the CSRC and Shenzhen Stock Exchange. The relevant regulatory institutions have any other provisions in respect of the lock-up period of shares subscribed by the target subscribers, such provisions shall prevail.

6. The total proceeds from the Non-public Issuance will be up to RMB1,180,000,000 (inclusive). The proceeds after deduction of issue expenses will be used for the following projects:

Unit: RMB ten thousand

No.	Project name	Total investment amount	Amount of proceeds to be invested
1	The annual production of 600,000 automobile intelligent steering system technical transformation project (新增年產60萬台套汽車智能轉向系統技術改造項目)	30,000.00	30,000.00
2	The automotive intelligent steering system and key components development project (汽車智能轉向系統及關鍵部件建設項目)	50,000.00	50,000.00
3	The intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)	18,000.00	18,000.00
4	The replenishment of working capital (補充流動資金)	20,000.00	20,000.00
Total		118,000.00	118,000.00

In the event that the actual net proceeds of the Issuance are less than the total amount of the proceeds proposed to be invested into the projects set out above, the shortfall will be made up by the Company using its own funds or through other financing methods.

Before the proceeds are available, the Issuer may fund the projects in accordance with the actual progress of the projects by its self-raised funds first, which will be subsequently replaced by the proceeds when they are available. Without altering the investment projects, the board of directors of the Company can make appropriate adjustments to the application sequence and amount of the proceeds according to the actual conditions of the above projects.

7. To further enhance the transparency of the Company's profit distribution and facilitate the investors to form stable return expectations, the Company considered and approved the Resolution on the Plan for Shareholders' Return for the Next Three Years (2022-2024) (《關於〈公司未來三年股東回報規劃(2022年-2024年)〉的議案》) at the tenth meeting of the seventh session of the board of directors, which is subject to the consideration and approval at the general meeting and class meetings of the Company. For detailed information in respect of the profit distribution policies and cash bonus of the Company, please refer to "Chapter IV Profit Distribution Policies and Implementation of the Company" in this proposal.

8. The Non-public Issuance will not lead to any change in the controlling shareholders and de facto controllers of the Company, nor will it cause the shareholding distribution of the Company to be unqualified for listing.
9. Upon the completion of the Non-public Issuance of Shares, undistributed profits accumulated by the Company prior to the Issuance shall be shared by new and existing shareholders according to shareholding ratio after the Issuance.
10. After the proceeds from the issue of shares are in place, the total share capital and net asset scale of the Company shall be enlarged accordingly. Given that it needs a certain period for the profits generated from the proceeds, therefore, earnings per share, return on net assets and other indicators of the Company may decrease in a short term, and the Company may be exposed to the risk of dilution of the current returns. For detailed information on the impact of the Issuance on the dilution of the current returns of the Company and corresponding measures, please refer to “Chapter V The Dilution of Current Returns from the Non-Public Issuance and the Remedial Measures.” The controlling shareholders, de facto controllers, directors, and senior management of the Company have made undertakings on earnest implementation of the Company’s remedial returns measures. Meanwhile, investors are advised to exercise caution that the formulation of the Company’s remedial returns measures cannot be construed as a guarantee of the Company’s future profits.
11. The resolution on the Non-public Issuance of Shares will be valid for 12 months from the date of consideration and approval for the relevant resolutions of the Issuance at the general meeting. If the Company has obtained the approval document from the CSRC on the Non-public Issuance within the aforesaid validity period, the aforesaid validity period will be automatically extended to the date of completion of the Non-public Issuance.
12. The Company especially reminds investors to carefully read the “VI. Description of the relevant risks involved in the Issuance” set out in “Chapter III Discussion and Analysis on the Impact of the Issuance on the Company by the Board of Directors” in the proposal.

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DEFINITIONS

In this proposal, unless otherwise stated in the context, the following abbreviations shall have the following meanings:

I. GENERAL DEFINITIONS

“Issuer, Company, Zhejiang Shibao”	Zhejiang Shibao Company Limited* (浙江世寶股份有限公司)
“Shibao Holding, Controlling Shareholder”	Zhejiang Shibao Holding Group Co., Ltd.
“actual controllers”	Mr. Zhang Shi Quan and his family members, including Zhang Shi Quan, Zhang Bao Yi, the son of Zhang Shi Quan, Tang Hao Han, the son-in-law of Zhang Shi Quan, Zhang Lan Jun, the daughter of Zhang Shi Quan, Zhang Shi Zhong, the brother of Zhang Shi Quan
“State Council”	the State Council of the People’s Republic of China
“CSRC”	China Securities Regulatory Committee of the People’s Republic of China
“National Development and Reform Commission”	the National Development and Reform Commission of the People’s Republic of China
“MIIT”	the Ministry of Industry and Information Technology of the People’s Republic of China
“NPC”	the National People’s Congress of the People’s Republic of China
“MOFCOM”	Ministry of Commerce of the People’s Republic of China
“SZSE”	the Shenzhen Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Ltd.
“RMB, ten thousand”	Renminbi yuan, RMB ten thousand
“Company Law”	the Company Law of the People’s Republic of China
“Articles of Association”	the Articles of Association of Zhejiang Shibao Company Limited

“Issuance, Non-public Issuance”	the Issuer’s action to the non-public issuance of shares
“A Share(s)”	RMB ordinary share(s) with a nominal value of RMB1.00 each issued in China
“H Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each issued overseas and listed on Hong Kong Stock Exchange, and are subscribed for and traded in Hong Kong dollars
“Daimler Group”	Daimler AG, a company that officially changed its name to Mercedes-Benz Group AG in February 2022

II. PROFESSIONAL DEFINITIONS

“passenger vehicle(s)”	vehicles that are mainly used for the transport of passengers and their carry-on luggage and (or) temporary items in terms of their characteristics of design and technology, which can be subdivided into basic passenger vehicle (sedan), multipurpose passenger vehicle (MPV), sports utility vehicle (SUV), and cross passenger vehicle
“commercial vehicle(s)”	vehicles that are used for the transport of personnel and freight in terms of their characteristics of design and technology, which can be subdivided into heavy trucks, medium trucks, light trucks, mini trucks, large passenger vehicles, medium passenger vehicles, and light passenger vehicles
“motorization, intelligence and networking”	the development trend of the automobile industry, motorization means the field of new energy dynamical system; intelligence means automatic drive or driver assistance system; networking means the layout of internet of vehicle systems
“assembly”	an entirety to achieve a certain specific function after putting together a range of components or products with particular assembly process

“automotive steering system”	a series of devices used for changing or maintain the automobile driving or backward direction, which are mainly composed of steering wheel, steering column, steering gear, steering track rod, steering knuckle and other components, among which, steering gear is the most technological key part. The function of automotive steering system is to control the automobile driving direction based on the driver’s intention
“steering gear”	namely steering engine or steering box which is used to increase the force transmitted from steering wheel to steering linkage and a key component of automotive steering system to change the transmission direction of the force
“steering column”	a component of steering system that links steering wheel to steering gear and transmits the steering wheel to steering gear
“intermediate shaft”	an axle in the transmission and the axle itself integrated with gears whose function is to connect input shaft to output shaft and choose to mesh with different gears by change in gear lever so that the output shaft can output different rotation speed, steer and torque
“recirculation ball steering gear”	the steering gears mainly suitable for commercial vehicles which are composed of various spare parts such as steering gear housing, screws, nuts and a number of iron pellets in the sealed pipeline between screws and nuts. After the screws fixed with tubular column turned from the steering wheel rotate, the screws push the nuts in the up-and-down motion, then the nuts propel the rocker arm reciprocating swing through gears for the purpose of steering. Recirculation ball, i.e., iron pellet, is put in the sealed pipeline between the nuts and screws for rolling back and forth. Recirculation ball steering gears are comprised of hydraulic power recirculation ball steering gears, electrical power manual recirculation ball steering gears and electro-hydraulic power recirculation ball steering gears

“rack-and-pinion steering gear”	the steering gears mainly suitable for passenger vehicles, whose structures are relatively compact with higher transmission efficiency, which is mainly comprised of steering gears integrated with steering shaft and racks usually integrated with steering tie rod. Rack-and-pinion steering gears include manual rack-and-pinion steering gears and hydraulic power rack-and-pinion steering gears
“EPS”	Electronic Power Steering System that is mainly suitable for passenger vehicles with new energy, energy conservation and emission reduction, and generates power by an engine to assist the driver in power steering. EPS is generally composed of torque (steering) sensor, electronic control unit, electromotor, retarder, manual steering gear and battery supply
“HPS”	Hydraulic Power Steering System is to add a hydraulic path in mechanical steering system, provide auxiliary steering force for vehicle wheel when vehicle steering and assist the driver in steering operation. HPS is composed of oil pump, steering gear, steering actuation cylinder and steering control valve
“P-EPS”	pinion-assisted electronic power steering system whose electromotor is installed in the pinion. Such electronic power steering system is suitable for passenger vehicles with medium-emission new energy, energy conservation and emission reduction
“R-EPS”	rack-assisted electronic power steering system whose electromotor is installed in the rack. Such electronic power steering system is suitable for large and heavy-duty passenger vehicles
“DP-EPS”	double-pinion-assisted electronic power steering system. Similar to R-EPS, such electronic power steering system is suitable for passenger vehicles with medium-emission new energy, energy conservation and emission reduction
“LTE-V2X”	V2X communication technology based on cellular mobile network, which is similar to 3G/4G connected by the mobile phone

“5G-V2X”	V2X standard for 5G communication, which is also named as NR-V2X. The need for intelligent vehicles has been considered when 5G communication starts to be designed, while V2X is a part of 5G network. 5G-V2X may integrate LTE-V2X with DSRC so as to provide safer and more efficient performance capacity for the vehicles
“L1 automatic driving”	partial driving assistance. Driving automation system can continuously control the horizontal or vertical motion of vehicles which carry out a task of dynamic driving within its designed operation conditions, and has the partial targets in response to the horizontal and vertical motion of vehicles carried out and capabilities for detection of and response to events
“L2 automatic driving”	combined driving assistance. Driving automation system can continuously control the horizontal or vertical motion of vehicles which carry out a task of dynamic driving within its designed operation conditions, and has the partial targets in response to the horizontal and vertical motion of vehicles carried out and capabilities for detection of and response to events
“L3 automatic driving”	conditional automatic driving. Driving automation system can continuously carry out all dynamic driving tasks within its designed operation conditions. The vehicles can achieve automatic acceleration or deceleration and steering in specific environment without the driver’s operation. The drivers can choose not to monitor the surrounding environment of the vehicle, but need to be ready to take over the vehicle at any time, so as to deal with the road conditions that automatic driving fails to handle
“L4 automatic driving”	highly automatic driving. Driving automation system can continuously carry out all dynamic driving tasks and conduct dynamic driving tasks takeover within its designed operation conditions. The vehicles can achieve no driver’s operation throughout the process of driving, but are subject to restricted conditions. For example, the limit of vehicle speed shall not exceed a certain extent and the driving region is relatively fixed

“L5 automatic driving”	full automatic driving. Driving automation system can continuously carry out all dynamic driving tasks and conduct dynamic driving tasks takeover within any drivable conditions. It is fully self-adaptive driving and suitable for any driving scenarios
“redundant design”	a place that plays a vital role in the completion of systematic or equipment tasks. More than a set of functional channel (system), working element or component with same function will be added to ensure that the system or equipment remains normal operation when such part is out of order, to reduce the fault probability of the system or equipment and enhance the system’s reliability
“drive-by-wire”	Drive-by-wire or X-by-wire, namely the connection in the form of wire (electrical signal) instead of mechanical, hydraulic, pneumatic and other forms, which in turn needs not to rely on the power of the driver or input of torque
“drive-by-wire chassis”	mainly composed of steer-by-wire, brake-by-wire, shift-by-wire, throttle-by-wire and suspension-by-wire systems, that is, achieving the functions of the aforesaid five major systems by way of drive-by-wire

Note: all data is rounded to two decimals unless otherwise stated. If there is any discrepancy between the total count and the sum of the sub-values, it is due to rounding.

**CHAPTER I SUMMARY OF THE PROPOSAL OF THE NON-PUBLIC
ISSUANCE OF SHARES****I. BASIC INFORMATION OF THE COMPANY**

Company name	浙江世寶股份有限公司
English name	ZHEJIANG SHIBAO COMPANY LIMITED
Stock short name	ZHEJIANG SHIBAO
Domestic listing location and stock code	Shenzhen Stock Exchange (002703.SZ)
Overseas listing location and stock code	The Stock Exchange of Hong Kong Limited (01057.HK)
Legal representative	Zhang Shi Quan
Registered capital	RMB789,644,637
Date of establishment	2 June 1993
Unified social credit code	913300001476445210
Registered address	No. 1 Shuanglin Road, Fotang Town, Yiwu, Zhejiang Province
Postal code of the registered address	322002
Office address	No. 6, 17th Avenue, Economic and Technological Development Zone, Hangzhou, Zhejiang Province
Postal code of the office address	310018
Telephone number	0571-28025692
Fax	0571-28025691
Company website	www.zjshibao.com
E-mail	ir@shibaogroup.com
Business scope	Manufacture and sales of auto parts, sales of metal materials, electromechanical products and electronics

II. THE BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUANCE OF SHARES

(I) The background of the Non-public Issuance of Shares

1. *Policy background*

Automobile industry is one of the pillar industries in the development of China's national economy, which plays an important role in maintaining the sustainable, rapid and healthy development of the national economy. The auto parts and accessories manufacturing industry is an essential part of the automobile industry, as well as a key factor for the sustainable prosperity and development of the automobile industry. China is encouraging and supporting to cultivate a number of components manufacturers with international competitive advantages. The Opinions on Automobile Industry Development Plan under the "14th Five-Year Plan" stated that scientific and technological innovation can be applied on some important parts in the industrial chain to achieve technological and industrial breakthroughs, break through the blockages, connect the breakpoints and make up for shortcomings; superior resources can be concentrated to give priority to the development of some important parts in the industrial chain; enterprises can strengthen the in-depth cooperation and integrated development within the industry through offering more fault-tolerance opportunities to the components enterprises and assisting enterprises for rapid development in core areas of the industrial chain as well as promoting the synergistic stability of the whole industrial chain; certain auto parts enterprises will be ranking top 10 in the world by 2025. The policies aforesaid show the determination of the state to encourage the development of the auto parts industry, and also bring positive support to the development of China's auto parts industry.

In addition, China has successively issued a series of supportive and encouraging policies for the automobile industry, automobile intelligence, energy conservation and emission reduction. The major laws, regulations and industrial policies are as follows:

Policy	Date of issue	Issuer	Key points of policy
Notice on Several Measures for Activating Automobile Circulation and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》)	2022.07	the National Development and Reform Commission	To support the purchase and use of new energy vehicles, accelerate the activation of the used-car market, promote the renewal and consumption of automobiles, promote the sustainable and healthy development of parallel import of automobiles, optimize the environmental conditions of automobiles, and enrich automotive financial services.
Notice on the Implementation of Measures for Convenient Service of Road Motor Vehicle Manufacturers and Product Access Management (《關於實施道路機動車輛生產和產品准入管理便企服務措施的通知》)	2022.06	the MIIT	To help enterprises bail out and speed up the resumption and stable production to cope with the impact of the COVID-19 pandemic on automobile manufacturers, it is determined to implement the measures for road motor vehicle and product access to carry out “acceptance of shortcomings (容缺受理)”, and “handle before remedy (先辦後補)” to simplify the components inspection deemed requirements, and the measure of extending the rectification period for enterprise access matters to conditionally allow different enterprises in the same group to produce.
Proposal for the Development of Automobile Industry under the “14th Five-Year Plan” (《「十四五」汽車產業發展建議》)	2021.07	the China Automotive Industry Association	By 2025, China will basically form a system for standardized intelligent vehicles surrounding technological innovation, industrial ecology, infrastructure, regulatory standards, industrial supervision and network security, achieve the large-scale production of intelligent vehicles with automatic driving, and realize the market-oriented application of intelligent vehicles with highly automatic driving in specific environments.

Policy	Date of issue	Issuer	Key points of policy
Guiding Opinions on Accelerating the Establishment of a Sound, Green, Low-Carbon and Cyclic Economic System (《關於加快建立健全綠色低碳循環發展經濟體系的指導意見》)	2021.02	the State Council	By 2025, the industrial structure, energy structure and transportation structure will be significantly optimized; the proportion of green industries will be significantly increased with increasing green infrastructure level and continuously growing level of clear production; remarkable progress will be made in the green transformation of production and life; energy resources will be allocated in a more reasonable way; the utilization efficiency will be greatly improved; the total amount of major pollutants will be continuously reduced while the carbon emission intensity will also be significantly reduced; the market oriented green technology innovation system for sustainable improvement of the ecological environment will be more mature; the laws, regulations and policy system will be more effective, and the production system, circulation system and consumption system for green and low-carbon cyclic development will be preliminarily formed.
Guiding Opinions on Promoting the Development and Application of Road Traffic Automatic Driving Technology (《關於促進道路交通自動駕駛技術發展和應用的指導意見》)	2020.12	the Ministry of Transport	By 2025, positive progress will be made in the research on basic theory of automatic driving, and major breakthroughs will be made in the research and development, test and verification of key technologies and products such as intelligent vehicle-road collaboration in road infrastructure; a series of basic and key standards for automatic driving will be introduced; a number of national automatic driving test bases and pilot application demonstration projects will be activated. Large-scale application will be implemented in some scenarios to promote the industrialization of automatic driving technologies.
Notice on the Development Plan for New Energy Automobile Industry (2021-2035)(《新能源汽車產業發展規劃(2021-2035年)的通知》)	2020.11	the State Council	By 2025, major breakthroughs will be made in the operating system technology for new energy vehicles, with safety level comprehensively improved; highly automatic driving will realize commercial application in limited areas and specific scenarios; highly automatic driving will realize large-scale application by 2035.

Policy	Date of issue	Issuer	Key points of policy
Intelligent Vehicle Innovation and Development Strategy (《智能汽車創新發展戰略》)	2020.02	the National Development and Reform Commission, the Central Network Information Office, the Ministry of Science and Technology, etc.	By 2025, China will basically form a system for standardized intelligent vehicles surrounding technological innovation, industrial ecology, infrastructure, regulatory standards, industrial supervision and network security, achieve the large-scale production of intelligent vehicles with automatic driving, and realize the market-oriented application of intelligent vehicles with highly automatic driving in specific environments; research and development and industrialization of highly-precise on-board sensors, on-board gauge chips, intelligent operating systems, on-board intelligent terminals, intelligent computing platforms and other products will be promoted, and an industrial cluster of key components for intelligent vehicles will be built, and components enterprises will be encourage to gradually become integration suppliers of key systems for intelligent vehicles.
Catalogue for Guiding Industry Restructuring (2019 Version)(《產業結構調整指導目錄(2019本)》)	2019.11	the National Development and Reform Commission	“Light-weight new material castings/forgings, automotive key castings/forgings, automotive key parts, light-weight material applications, new energy vehicle key parts” will be listed as the industries encouraged by the state.

Policy	Date of issue	Issuer	Key points of policy
Implementation Plan for Promoting the Upgrading of Key Consumer Goods and the Recycling of Resources (2019-2020) (《推動重點消費品更新升級暢通資源循環利用實施方案(2019 – 2020年)》)	2019.06	the National Development and Reform Commission, the Ministry of Ecological Environment, the Ministry of Commerce, etc.	Accelerating the development and application of user-friendly new energy vehicles; focusing on the flaws of new energy vehicles such as short mileage and long charging time, learning from the battery replacement mode and application experiences in the public service sectors, encouraging vehicle manufacturers to develop and produce new-energy vehicle products that can combine battery charging and replacement, provide flexible battery specifications, and take into consideration both short and long mileages; and supporting the research, development and application of such technologies as high-power fast charging, wireless charging, and mobile charging, thus making it easier for new energy vehicles to charge and replace batteries. Steadily promoting the innovation and development of intelligent vehicles; strengthening the cooperation among leading enterprises in vehicle manufacturing, information communication and Internet, coordinating the efforts and resources in developing key technologies for intelligent vehicles, and continuing to adopt the development approach that integrates independence and connectivity; and focusing on the research, development and industrialization of in-vehicle sensors, chips, central processing units and operating systems, constantly improving the intelligence of finished vehicles, and cultivating intelligent vehicle brands with international competitiveness.
Automotive Sector Mid-to-Long Term Development Plan (《汽車產業中長期發展規劃》)	2017.04	the National Development and Reform Commission, the MIIT, the Ministry of Science and Technology, etc.	Guiding innovators to step up cooperation to make breakthroughs in core and key technologies, including the integration of finished vehicles and spare parts system, powertrains and light materials, to increase the effective supply of basic and common technologies. Strengthening the research and development and promotion of automotive energy-saving and environmental protection technologies. Promoting the research and development of advanced fossil-fueled vehicles, hybrid vehicles and alternative fuel vehicles, and making breakthroughs in key technologies including light material applications in finished vehicles.

2. Industry background

(1) Vast market space and promising development prospects

The Company is mainly engaged in the research and development, manufacturing and sales of automotive steering gear and other steering system key components. The principal products of the Company mainly include assemblies and spare parts of the recirculating ball steering gears, rack-and-pinion steering gears, electric power steering gears as well as other steering parts including steering column, which are mainly applied in various commercial vehicles, passenger vehicles and others. Automotive steering system and spare parts are called security parts for they are fundamental for the driving safety of automobiles and an indispensable part to a vehicle, the usable life of which is almost the same as the vehicle. The development of the automotive steering industry is in line with the development of the automobile industry.

China is the world's largest automobile manufacturer and distributor, whose production and sales volume of vehicles are ranked No.1 in the world for thirteen consecutive years, providing a vast space for the development of the automobile steering industry. As at the end of 2021, the total number of vehicles per thousand in China was only 214, representing a relatively low level as compared to other major countries, and there is also a vast space for growth. With the gradual and stable development of domestic economy, continuous and steady growth of GDP per capita, and continuous optimization of domestic infrastructures as well the increasing in per capita road area, there is also great potential in the development of the domestic automobile market.

As pointed out in the 2021 China Auto Market Development Forecast Summit, China's automobile industry would experience a critical period for a round of transformation and upgrading during the "14th Five-Year Plan" period. China's automobile market exhibited a gradual growth trend in 2021, and the automobile market will also grow steadily in the coming five years. The sales volume of vehicles in China is expected to reach 30.00 million units in 2025, which portends that there will be a vast market space for the development of the domestic automobile steering industry in the future.

(2) *Rapid development of automobile motorization, intelligence and networking*

① Motorization

Energy and environment are two outstanding issues that restrict the sustainable development of the global economy and society. Currently, a series of social matters, such as energy shortage and environmental deterioration brought by the automobiles, have restrict the industry's future development. As the increasingly serious energy shortage as well as more and more importance that is attached to environmental protection, China has formulated a clear schedule for carbon peaking and carbon neutrality. In this context, the state and local governments offer great support by issuing a series of policies and measures to promote the development of new energy vehicles, such as Notice of the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》) issued by the State Council in October 2021, which indicates vigorously promotion on new energy vehicles, while gradually reducing the proportion of cars that run on traditional oil-based fuels in new car sales and car ownership.

The development of China's new energy vehicles has entered a new era of rapid development, while the focus of the automobile industry is rapidly transferring from fuel vehicles to new energy vehicles. In 2021, China's new energy automobile witnessed a prosperity of automobile production and sales throughout the year, achieving the sales volume of more than 3.50 million, accounting for over 50% of the global total sales of new energy vehicles, ranking No.1 in the world for seven consecutive years. In 2022, the sales of new energy vehicles will maintain its growth momentum, and it is expected that the sales of new energy vehicles in China will exceed 5 million in 2022, and achieve the target of 20% of new energy vehicle sales proportion in 2025 proposed in the Notice on the Development Plan for New Energy Automobile Industry (2021-2035)(《新能源汽車產業發展規劃(2021年-2035年)》) three years ahead of schedule. As a result of that, China will consolidate its position as the world's largest auto market and the world's largest new energy vehicle market.

In general, the unexpected development of China's new energy vehicle market is beneficial from the combined effort of years of policy support, industry development, consumer cultivation and infrastructure construction, which will provide a vast market space for the domestic automobile and automobile part industry.

② Intelligence and networking

Intelligent network connected automobile is the organic combination of networking and intelligence, which achieves the information sharing and exchange between automobiles, people, road and cloud-based servers by carrying advanced sensors, controllers, actuators, and using new technologies including 5G and artificial intelligence, and gradually becomes a new generation vehicle with intelligent mobile space and application terminals. In the great changes of the automobile industry, the intelligent network connected automobile with three characteristics of motorization, intelligent and networking has become one of the key emerging industries supported by the state and the critical development focus of various automobile enterprises. With the continuous development of intelligent network connected automobile, the overall mode of transportation will continue to change toward safety, efficiency and green. Road space, transportation costs, manpower demands will be released, and then produce greater social benefits.

Sustaining encouragement at policy level. The Intelligent Vehicle Innovation and Development Strategy (《智能汽車創新發展戰略》) jointly issued by 11 ministries including National Development and Reform Commission in February 2020 set new development goals. By 2025, China will basically form a system for standardized intelligent vehicles surrounding technological innovation, industrial ecology, infrastructure, regulatory standards, industrial supervision and network security, achieve the large-scale production of intelligent vehicles with automatic driving, and realize the market-oriented application of intelligent vehicles with highly automatic driving in specific environments; positive progress will be made in the construction of intelligent transportation systems and smart city-relevant facilities; automotive wireless communication networks (LTE-V2X, etc.) will achieve regional coverage; the next-generation automotive wireless communication network (5G-V2X) will be applied gradually in some cities and highways, and the high-precision spatio-temporal reference service network will achieve full coverage.

The standard is improving. The development of China's intelligent connected vehicle standards was launched in 2017. A series of documents, including the National Guidelines for Developing the Standards System of the Internet of Vehicles Industry (《國家車聯網產業標準體系建設指南》), were successively issued, which enhanced the top-level design of standard system. The Taxonomy of Driving Automation for Motor Vehicles (《汽車駕駛自動化分級》)(GB/T 40429-2021), a nationally recommended standard that was officially published by the State Administration for Market Regulation in September 2021 and became effective on 1 March 2022, has played a normative role in the publicity and promotion of existing assisted driving technology, and promoted the development of the autonomous driving industry and the subsequent formulation of relevant regulations.

In recent years, with the development of autonomous driving road tests in many places, the technology has become increasingly mature, and the test demonstration has gradually moved towards commercialization, such as unmanned delivery vehicles, self-driving sanitation vehicles, self-driving buses and other scenarios.

(3) *Vehicle motorization, intelligence and networking are driving the rapid development of the automotive steering industry*

Since there is no engine drive that traditional cars have after the acceleration of the motorization process of automobiles, electric power assist systems will be considered to be applied in the steering system for weight reduction, space and cost saving considerations, and for the provision of steering power relying on the auxiliary torque provided by the motor, thus facilitating more easily drive at low speeds and more accurate operation and control at high speeds. In addition, as it can save 3-5% of the fuel consumption for traditional fuel vehicles, the electric power steering system is therefore also an important tool for energy conservation and consumption reduction of traditional fuel vehicles. Compared with the hydraulic power steering system, it also has such functions as steering with speed, active re-centering, etc., and the penetration rate of electric power steering system in the field of fuel vehicles is also increasing.

Automotive intelligence is inseparable from the intelligence of auto parts. Intelligent steering system is an important actuator to realize L1~L5 automatic driving, and the intelligent steering system is based on the electric power steering system. Intelligent steering system manufacturers develop steering systems with different functions based on the needs of different levels of

autonomous driving in automobile factories, and finally realize steer-by-wire in L3 and above autonomous vehicles. Steering-by-wire with redundant design will greatly improve the safety and reliability of vehicles in driving.

The Company is in a leading position in the domestic automotive steering industry. In order to meet the new opportunities and challenges brought by the development trend of automobile motorization and intelligence to auto parts corporations, the Company took the lead in carrying out relevant technical research. Through the long-term efforts of the research and development (R&D) team, the Company has accumulated certain technical reserves in automotive electric power steering systems and automotive intelligent steering, and is developing technologies and samples on intelligent driving in cooperation with several well-known domestic automobile manufacturers and large companies that carry out cross-industry research and development of driverless vehicle, and such cooperation is relatively smooth. These have laid a good foundation for the implementation of the investment project in terms of technical strength, product development capability and follow-up promotion, mass production, and others.

(4) The localization of the automotive industry is deepening

In recent years, the pace of all-round improvement in China's self-owned brands has been accelerating day by day, and good results have been achieved. In 2021, the cumulative sales of Chinese branded passenger cars were 9,543,000 units, accounting for 44.4% of the total sales of passenger cars, an increase of 6 percentage points over the previous year. The rapid growth of self-owned branded vehicles has brought great opportunities to domestic auto parts enterprises.

Some fast-mover players in China's parts manufacturing industry have accumulated a lot of process technology and rich development experience during the long-term cooperation with large automobile manufacturers, and have further invested in research and development. The R&D technical strength, product quality and production process level of certain excellent auto parts manufactures have been significantly improved, and they have obvious competitive advantages in the segment by virtue of advantages in cost and localized services, and gradually replaced manufacturers of imported products. These corporations, on one hand, can enter the global automobile supplier supporting system and expand the market share of joint venture brands through the qualification certification of international vehicle manufacturers. On the other hand, along with the development of domestic self-owned branded manufacturers, they can increase the supply to domestic self-owned branded automakers and seize the domestic market. Additionally, they can actively integrate into the positive development system of their own brands with strong synchronous development

capabilities in light of the development strategy of their own brands, promote the transformation and upgrading of domestic automobiles, and strengthen the stickiness of cooperation with vehicle manufacturers. Therefore, with the deepening of the localization of the auto parts industry, there will be huge potential for growth in the scale of the auto parts manufacturing industry, in particular, high-quality enterprises and first-mover enterprises in the industry will grow rapidly in the market competition.

In addition, with the development of motorization, intelligence and networking in the automotive industry, the technology in the automotive industry chain is moving upstream, the degree of integration of systems and components is constantly improving, and the trend of modularization and platformization is prominent, which requires parts manufacturers to be stronger in R&D and technology integration capabilities. Parts manufacturers and automakers cooperate in joint development with relationship gradually moving from suppliers to win-win business ecological relationship, and the status of high-quality domestic parts enterprises in the industry value chain will be further enhanced.

3. *Operational background*

The Company is one of the early movers in the development of hydraulic power steering gears and electric power steering system in the PRC, and has been focusing on this market segment since its establishment. The Company has accumulated over 30 years of experience in OEM supply in automotive component industry with diverse customer resources worldwide, enabling the Company to become a Tier-1 OEM supplier among the automakers with good reputation. The Company is a member of the China Association of Automobile Manufacturers and was recognized as the “Leading Enterprise of China’s automotive component steering gears industry” by the China Association of Automobile Industry in 2009. The Company is a major participant in the formulation of standards for the steering gears industry in China and has been conferred the title of the “Top 100 Outstanding Suppliers of Automotive Parts in China” for consecutive years.

The Company has leading technology research and development capability and profound technology accumulation, and now has five production sites in Zhejiang Hangzhou, Zhejiang Yiwu, Jilin Siping and Anhui Wuhu as well as one research center in Beijing. The Company has established provincial-level high-tech enterprise research and development center, provincial-level enterprise research institute and a post-doctoral workstation in Zhejiang Province. Through continuous research and development, the Company has gradually developed its own core technologies. As at 30 June 2022, the Company owned 219 authorized patents, including 27 invention patents.

Since its listing, the Company has leveraged the capital market platform to expand its business in an orderly manner and maintain a relatively stable development and business growth. For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Company's operating revenues were approximately RMB982,370,400, RMB1,102,127,400, RMB1,177,915,800 and RMB554,052,600 respectively, showing a stable and increasing trend. The Company lives up to its role of enhancing safety and comfortability for driving. The Company is committed to providing world leading automakers with safe, intelligent, energy-saving, light-weight automotive steering system. The Company strives to raise the research and development and production capability of steering system and key components for each series of automobile model to international competitive standard. Meanwhile, the Company is tapping into key automotive components in relation to integration and modulation of steering system. Its strategic goal is to provide intelligent driving solutions and products to global leading automotive groups.

Currently, customers of downstream automakers are putting forward higher requirements on the capability of technical development, production and product quality assurance of automotive steering suppliers. Certain manufacturers of automotive steering system components with strong technical strength and strong financial strength will further reveal their competitive advantages, while some manufacturers with low technical level and weak capital strength will gradually withdraw from the market or be merged by other manufacturers. The industry will gradually concentrate on the leading backbone enterprises with independent innovation capability and international competitiveness. In terms of industrial upgrading, especially in the face of significant development opportunities, the industry's dominant players will face opportunities to scale up their development.

(II) Purpose of the Non-Issuance of Shares

1. To capture the development opportunities of the industry, expand the scale of competitive products and promote the increase in the Company's profits

Currently, the domestic automobile steering enterprises have entered into a period of important scale-based growth opportunities with positive development for the overall industry, transformation and upgrading of the product structures, entry into international supply chain system as well as improvement in localization of components. The opportunities and challenges coexist. The Company is also facing relatively intensive competition pressure.

Given that the Company has accumulated certain technological reserves in terms of automotive intelligent steering, it is necessary for the Company to implement the annual production of 600,000 automobile intelligent steering system technical transformation project” and “automotive intelligent steering system and key components development project” as soon as possible, so as to timely seize the market opportunities of motorization, intelligence and networking. After the investment projects have ramped up to full capacity, leveraging on its advanced equipment and technologies, the Company can build a capacity structure in a timely manner that adapts to the industry development trend, expand the Company’s production scale of competitive products, consolidate and enhance its market share and positioning in the automotive steering industry and strengthen its anti-risk capability and sustainability, which enables the Company to develop its business in a sustained, rapid and healthy manner. Through the Non-public Issuance of Shares, the Company will take full use of the advantage of the financing platform for listed company, seize the market development opportunities, and expand the scale of competitive products with a view to improving its overall profitability and maximizing its Shareholders’ interests.

2. To enhance the Company’s development and research capabilities and build up the future automotive steering technologies

The Company has always attached great importance to the businesses of automotive steering gears and other key components of steering systems, and has conducted in-depth theoretical research and accumulated extensive practical experience in this specialized field over the years. While actively developing new projects in parallel with customers, the Company emphasizes highly on the simultaneous research and development of technology, process and fully automated production equipment, and is actively working on the research and development and industrialization of the future steering technology

The wire-controlled chassis is the “execution” cornerstone for the realization of automatic driving L3. Wire-controlled steering, as one of the key technologies of wire-controlled chassis, is at the stage of small-scale prototype. Therefore, under the general trend of automobile intelligence and electrification, the Company is keeping up with the development trend of wire-controlled chassis and constructing an automotive steering wire-control technology research and development center by upgrading and expanding the existing research and development center as well as increasing the investment in equipment research and development and professional supporting software. Based on the existing automobile electronic technology development capabilities, the Company will carry out vertical and horizontal technology research in the field of automotive intelligent driving, improve the technology research and development and innovation system, further improve the synchronous development and design capability with customers, so as to enhance the overall research and development level and technical strength of the Company and build up the future automotive steering technologies.

3. To optimize the Company's capital structure and reduce financial risks

The automotive steering industry is capital and technology intensive. With the continuous expansion of the Company's business scale and the further development of its existing business in the future, there is increasing demand for capital from the Company that would be exposed to greater capital pressure. To use the Non-public Issuance of Shares to raise proceeds is a crucial approach for the Company to comprehensively improve its competitiveness and achieve sustainable development, which allows the Company to relieve the funding pressure, arrange its various production, operation and investment activities in an orderly manner, enhance its profitability and risk resistance, and also provides with financial support for the Company to successfully achieve its strategic layout.

III. TARGET SUBSCRIBERS AND THEIR RELATIONSHIPS WITH THE COMPANY

The target subscribers of the Non-public Issuance of Shares shall be not more than 35 specified investors, including securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors, qualified foreign institutional investors that satisfy the requirements of relevant laws and regulations and the CSRC and other legal persons, natural persons or other investors that are subject to the relevant laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and RMB-qualified foreign institutional investors that participate in the subscription with two or more of the products managed by them shall be taken as one single target subscriber. Trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

The identified target subscribers shall be determined after obtaining of approval from the CSRC, by the board of directors under the authorization at the general meeting in consultation with the sponsor (lead underwriter) based on prices offered by the target subscribers. In the event that the laws and regulations of the PRC have new requirements in relation to target subscribers of the Non-public Issuance of Shares, the Company will make adjustments according to such new requirements.

As at the announcement date of the proposal, the Non-public Issuance of Shares of the Company has no definite target subscribers, therefore, the relationship between the target subscribers and the Company cannot be determined. The relationship between the target subscribers and the Company will be disclosed in the issuance report published upon the completion of the Issuance.

IV. SUMMARY OF THE PROPOSAL OF THE NON-PUBLIC ISSUANCE OF SHARES**(I) Class and Nominal Value of Shares to be Issued**

The shares to be issued under the Non-public Issuance are domestic listed RMB ordinary shares (A Shares) with a nominal value of RMB1.00 per share.

(II) Method and Time of Issue

The Issuance will be conducted by way of Non-public Issuance of Shares to specific target subscribers. The Company will issue new A Shares at such time as it considers appropriate to specific target subscribers within the validity period as prescribed in the approval documents regarding the Issuance from the CSRC.

(III) Target Subscribers and Manners of Subscription

The target subscribers of the Non-public Issuance of Shares shall be not more than 35 specified investors, including securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors, qualified foreign institutional investors that satisfy the requirements of relevant laws and regulations and the CSRC and other legal persons, natural persons or other investors that are subject to the relevant laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and RMB-qualified foreign institutional investors that participate in the subscription with two or more of the products managed by them shall be taken as one single target subscriber. Trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

The identified target subscribers shall be determined after obtaining of approval from the CSRC, by the board of directors under the authorization at the general meeting in consultation with the sponsor (lead underwriter) based on prices offered by the target subscribers. In the event that the laws and regulations of the PRC have new requirements in relation to target subscribers of the Non-public Issuance of Shares, the Company will make adjustments according to such new requirements.

All target subscribers shall subscribe in cash for the shares to be issued pursuant to the Non-public Issuance.

(IV) Number of Shares to be Issued

The number of shares to be issued under the Non-public Issuance is determined by dividing the total raised proceeds by the issue price and shall not exceed 30% of the total share capital prior to the Issuance.

Within the above number of shares to be issued, a proposal will be made by the board of directors to the general meeting to authorize the board of directors to determine the final number of shares to be issued in consultation with the sponsor (lead underwriter) according to the market conditions.

In the event that the Company grants bonus shares, converts capital reserve into share capital during the period commencing from the resolution of the board of directors of the Non-public Issuance to the issuance date, or there are changes in the total share capital of the Company prior to the Issuance due to other reasons, the maximum number of shares to be issued under the Non-public Issuance shall be adjusted accordingly.

(V) Issue Price, Price Determination Date and Pricing Principles

The price determination date under the Non-public Issuance of Shares will be the first day of the offering period. The issue price of the Non-public Issuance shall be no less than 80% of the average trading price of the Company's shares for the 20 trading days preceding the price determination date (the average trading price of shares for the 20 trading days preceding the price determination date = the total turnover of shares traded for the 20 trading days preceding the price determination date/the total volume of shares traded for the 20 trading days preceding the price determination date).

The minimum issue price of the Non-public Issuance will be adjusted accordingly if any ex-rights or ex-dividends events of the shares of the Company, such as the declaration of dividends, bonus issue, and capitalization from capital reserve, occur during the period from the price determination date to the date of issue of the Non-public Issuance.

The final issue price of the Non-public Issuance shall be determined, after the Company has obtained the approval of the Non-public Issuance from the CSRC, by the board of directors of the Company under the authorization granted at the general meeting in consultation with the sponsor (lead underwriter) in accordance with the laws and regulations and the regulations of the CSRC and other competent authorities and based on the prices offered by the target subscribers and the price priority principle.

(VI) The Lock-up Period for the Shares under the Issuance

Upon the completion of the Non-public Issuance of Shares, the target subscribers shall not transfer their shares within six months commencing from the closing date of the Issuance.

Target subscribers reducing their shareholding acquired under the transactions upon expiration of the above lock-up period shall also be required to comply with the relevant requirements of laws, regulations, administrative rules, regulatory documents and relevant provisions of the stock exchange(s) such as the Company Law, the Securities Law and the Listing Rules, as well as the Articles of Association.

The shares derived from the shares of the Company acquired by the target subscribers pursuant to the Non-public Issuance as a result of the distribution of share dividends and capitalization of capital reserve by the Company shall also be subject to the above lock-up period arrangement.

(VII) Place of Listing

Application shall be made for the listing of, and permission to deal in, the Non-public Issuance of shares on the Shenzhen Stock Exchange.

(VIII) The Scale and Use of Proceeds

The proposed amount of gross proceeds from the Non-public Issuance of Shares shall be no more than RMB1,180,000,000 (inclusive). The proceeds after deduction of issue expenses will be used for the following projects:

Unit: RMB ten thousand

No.	Project name	Total investment amount	Amount of proceeds to be invested
1	The annual production of 600,000 automobile intelligent steering system technical transformation project (新增年產60萬台套汽車智能轉向系統技術改造項目)	30,000.00	30,000.00
2	The automotive intelligent steering system and key components development project (汽車智能轉向系統及關鍵部件建設項目)	50,000.00	50,000.00
3	The intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)	18,000.00	18,000.00
4	The replenishment of working capital (補充流動資金)	<u>20,000.00</u>	<u>20,000.00</u>
Total		<u>118,000.00</u>	<u>118,000.00</u>

In the event that the actual net proceeds of the Issuance are less than the total amount of proceeds proposed to be invested into the projects set out above, the shortfall will be made up by the Issuer using its own funds or through other financing methods.

Before the proceeds are available, the Issuer may fund the projects in accordance with the actual progress of the projects by its self-raised funds first, which will be subsequently replaced by the proceeds when they are available. Without altering the investment projects, the board of directors of the Company can make appropriate adjustments to the application sequence and amount of the proceeds according to the actual conditions of the above projects.

(IX) Arrangement of Accumulated Undistributed Profits prior to Completion of the Non-public Issuance

Undistributed profits accumulated by the Company prior to the Non-public Issuance shall be shared by new and existing shareholders after the Non-public Issuance.

(X) Validity Period of the Resolutions regarding the Non-public Issuance of Shares

The resolution on the Non-public Issuance of Shares will be valid for 12 months from the date of consideration and approval for the relevant resolutions of the Non-public Issuance at the general meeting and class meetings. If the Company has obtained the approval document from the CSRC on the Non-public Issuance within the aforesaid validity period, the aforesaid validity period will be automatically extended to the date of completion of the Non-public Issuance.

V. WHETHER THE NON-PUBLIC ISSUANCE OF SHARES WILL CONSTITUTE A CONNECTED TRANSACTION

As at the announcement date of the proposal, the Non-public Issuance has no definite target subscribers. The situation whether the Non-public Issuance will constitute a connected transaction due to subscription by related parties of the shares under the Non-public Issuance will be disclosed in the Issuance Report announced upon completion of the Issuance.

VI. WHETHER THE NON-PUBLIC ISSUANCE OF SHARES WILL RESULT IN THE CHANGE OF THE COMPANY'S CONTROL RIGHT

As at the announcement date of the proposal, the total share capital of the Company is 789,644,637 shares and the number of shares directly held by Shibao Holding, the controlling shareholder of the Company, is 325,993,298 shares, representing 41.28% of the total share capital of the Company. The de facto controllers of the Company are Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong, who directly and indirectly hold a total of 352,392,378 shares of the Company, representing 44.63% of the total share capital of the Company.

Assuming the Non-public Issuance is calculated based on the maximum number of 236,893,391 shares in the Issuance, the total share capital of the Company will increase to 1,026,538,028 shares upon the Issuance. Upon completion of the Non-public Issuance, Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong, who directly and indirectly control 34.33% of the total share capital of the Company, will remain as the de facto controllers of the Company. The Non-public Issuance will not cause any changes to the control right of the Company.

VII. APPROVAL PROCEDURES OF THE ISSUANCE

Matters in relation to the Non-public Issuance of A Shares have been considered and approved at the Company's tenth meeting of the seventh session of the board of directors on 18 October 2022. In accordance with the requirements of relevant laws, regulations, administrative rules and regulatory documents such as the Company Law and the Securities Law, the Proposal for the Issuance is subject to the consideration and approval at the general meeting and class meetings of the Company, as well as the approval of the CSRC.

Upon approved by the CSRC, the Company shall apply to the SZSE and China Securities Depository and Clearing Corporation Limited, Shenzhen Branch for the issue and listing of the shares and complete the submission and approval procedures for the Non-public Issuance of Shares.

There are uncertainties as to whether the above-mentioned approval or verification can be obtained, and if so, when they can be obtained. Investors are reminded of the risk associated with approvals.

CHAPTER II THE FEASIBILITY ANALYSIS BY THE BOARD OF DIRECTORS ON THE USE OF PROCEEDS

I. PLAN FOR THE USE OF PROCEEDS

The Company proposed to raise gross proceeds of not more than RMB1,180,000,000 through Non-public Issuance of Shares, the number of which shall not exceed 30% of the total share capital of the Company prior to the Issuance. The proceeds after deduction of issue expenses will be used for the following projects:

Unit: RMB ten thousand

No.	Project name	Total investment amount	Amount of proceeds to be invested
1	The annual production of 600,000 automotive intelligent steering system technology transformation project (新增年產60萬台套汽車智能轉向系統技術改造項目)	30,000.00	30,000.00
2	The automotive intelligent steering system and key components development project (汽車智能轉向系統及關鍵部件建設項目)	50,000.00	50,000.00
3	The intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)	18,000.00	18,000.00
4	The replenishment of working capital (補充流動資金)	<u>20,000.00</u>	<u>20,000.00</u>
Total		<u>118,000.00</u>	<u>118,000.00</u>

In the event that the actual net proceeds of the Issuance are less than the total amount of proceeds proposed to be invested into the projects set out above, the shortfall will be made up by the Issuer using its own funds or through other financing methods.

Before the proceeds are available, the Issuer may fund the projects in accordance with the actual progress of the projects by its self-raised funds first, which will be subsequently replaced by the proceeds when they are available. Without altering the investment projects, the board of directors of the Company can make appropriate adjustments to the application sequence and amount of the proceeds according to the actual conditions of the above projects.

II. NECESSITY AND FEASIBILITY OF THE PROCEEDS

(I) Necessity of the Investment Projects

1. To upgrade product structure and keep abreast of the direction of industry development

In recent years, with the gradual improvement of new energy vehicle manufacturing technology and market recognition, the domestic automobile motorization has witnessed rapid progress. The proportion of domestic new energy vehicle production has increased from less than 2% in 2015 to more than 20% in the first half of 2022. Meanwhile, the scale of domestic new energy vehicles is developing rapidly, with a compound growth rate of above 40% for new energy vehicle production from 2018 to 2021, which gradually changes the automotive steering product structure.

Specifically, from the passenger car sector, with the gradual improvement of the regulations on automobile energy-saving and emission reduction, the penetration of electric power steering system (EPS) has been basically completed, and there will be mainly the changes of market share of several technical paths and the penetration of the share of domestic independent brands in the coming period, which shows an expected further growth in share of R-EPS and DP-EPS; from the commercial vehicle sector, due to the inherent functional advantages of electric power including energy-saving and environmental protection, steering with speed and auto re-centering, the steering of commercial vehicles will gradually develop towards the direction of electro-hydraulic (loading large scenario) and electric (loading small scenario) power steering, and the penetration rate of intelligent electric power manual recirculating ball steering system and intelligent electro-hydraulic power recirculating ball steering system in the commercial vehicle sector will be further increased.

The production capacities of R-EPS, intelligent electric power manual recirculating ball steering system and intelligent electro-hydraulic power recirculating ball steering system possessed by the Issuer currently fail to fully satisfy the demand of future large-scale orders. Therefore, the Company urgently needs to upgrade its existing production equipment conditions and production scale, so as to upgrade the product structure, enhance the Company's comprehensive competitiveness and lay a good foundation for its future development.

2. *To improve the product lines of the Company and enhance customer adhesion and influence*

The vehicle steering system consists of steering column, steering intermediate shaft, steering gear and other auxiliary parts, among which, the steering intermediate shaft connects the steering gear and the steering column; the steering column connects the steering wheel, which is a steering system product closer to the driver and its function, performance and noise directly affect the driving experience, setting higher demands on suppliers' research and development capability, production line equipment and process capability. The steering column contains mechanical steering column and electric steering column. The electric steering column is a high-end product in the steering column with rich functions, and its motorization attribute is conducive to the increase of intelligent functions, which is mainly used in high-end luxury models and fits the future development trend of motorization and intelligence.

In recent years, the Company's steering intermediate shafts, mechanical and electric steering columns have gradually realized industrialization, forming the overall supporting capacity of passenger car steering system, which is in line with the Company's development strategy of gradually expanding into the key automotive components connecting steering system integration and modularization. With the enrichment and perfection of the Company's product lines, on the one hand, it can effectively satisfy the customers' needs of diversification and modularized supply; on the other hand, it can give full play to and consolidate the Company's existing technical advantages and the cooperation advantages with automakers, improve customer adhesion, strengthen the Company's comprehensive competitiveness, so as to enhance the Company's overall influence and profitability. Therefore, the Company urgently needs to expand the production capacity of steering columns and intermediate shafts and upgrade the production equipment to meet the downstream market demand.

3. *To further enhance the Company's research and development and design strength*

Since its establishment, the Company has always attached great importance to the research and development of automotive steering gears and other key components of steering systems, and has conducted in-depth theoretical research and accumulated extensive practical experience in this specialized field over the years. While actively developing new projects in parallel with customers, the Company emphasizes highly on the simultaneous research and development of technology, process and fully automated production equipment, and is actively working on the research and development and industrialization of the future steering technology.

The wire-controlled chassis is the “execution” cornerstone for the realization of automatic driving L3. Wire-controlled steering, as one of the key technologies of wire-controlled chassis, is at the stage of small-scale prototype. Therefore, under the general trend of automobile intelligence and electrification, the Company is keeping up with the development trend of wire-controlled chassis and constructing an automotive steering wire-control technology research and development center by upgrading and expanding the existing research and development center as well as increasing the investment in equipment research and development and professional supporting software. Based on the existing automotive electronics technology development capabilities, the Company will carry out vertical and horizontal technology research in the field of automotive intelligent driving, improve the technology research and development and innovation system, further improve the synchronous development and design capability with customers, so as to enhance the overall research and development level and technical strength of the Company and build up future automotive steering technology.

4. To meet the working capital shortfall arising from the Company’s continued business development in the future

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Company’s operating revenue were approximately RMB982,370,400, RMB1,102,127,400, RMB1,177,915,800 and RMB554,052,600, respectively, showing a stable and increasing trend. With the continuous growth of business scale, the scale of the Company’s demand for working capital has increased accordingly. The replenishment of working capital can partially satisfy the Company’s working capital shortfall arising from continuous business development in the future. In the context of the high prosperity of the automotive industry and the operation of the investment projects under the Non-public Issuance, it is expected that the Company’s business scale will continue to maintain a rapid growth trend in the future, and the Company will need to invest more funds for material procurement and product production due to the continuous expansion of business scale. The Company’s normal production and operation requires has a demand for working capital, therefore, without considering other factors, the Company will expose to a larger liquidity gap with the rapid growth of business scale. Accordingly, it is necessary to replenish the working capital by the proceeds raised.

(II) Feasibility of the Investment Projects***1. The construction of the projects is in line with several national incentive policies***

As a pillar industry of the national economy, automobile plays an important role in the transformation and upgrading of the entire manufacturing industry and even China's economy. During the "13th Five-year Plan" period, the state launched a series of automobile industry policies, the core words of which are new energy vehicles, intelligent network connected automobiles and green economy.

On 11 March 2021, the Fourth Session of the 13th National People's Congress voted to adopt the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035", which clearly put forward six development policies for the automobile industry during the "14th Five-Year Plan", pointed out "break through the key technologies of new energy vehicles such as high safety power batteries, efficient drive motors, high-performance power systems, and accelerate the research and development of the basic technology platform for intelligent network connected linking automobiles and key components such as the software and hardware systems, drive-by-wire chassis, and intelligent terminals"; "actively and steadily develop industrial internet and internet of vehicles", "explore the establishment of regulatory frameworks such as unmanned driving, and improve relevant laws and regulations and ethical review rules".

"Green Transportation Development Plan of the 14th Five-Year Plan" proposes to accelerate the promotion and application of new energy vehicles in urban public transport, taxi, logistics distribution and other fields, and the proportion of new energy vehicles in new or updated public transport, taxi, logistics distribution and other vehicles in the national ecological civilization pilot area and key areas for air pollution prevention and control shall not be less than 80%, while giving priority to the use of new and clean energy in the new and replacement of port operating machinery, port vehicles, tugs, and cargo terminal operating vehicles.

On 20 October 2020, the General Office of the State Council issued the “Development Plan for New Energy Automobile Industry (2021-2035)”, the Plan clearly stated that at present, a new round of global scientific and technological revolution and industrial transformation is flourishing, and the integration of automobile and related technologies in energy, transportation, information communication and other fields is accelerating, making motorization and intelligence become the development trend of the automobile industry. The Plan proposes that by 2025, the sales volume of new energy vehicles shall reach about 20% of the total sales volume of new vehicles, highly autonomous vehicles shall achieve commercial application in limited areas and specific scenarios, and the convenience of charging and replacement services shall be significantly improved.

The technology R&D of R-EPS, intelligent electric power manual recirculating ball steering system, intelligent electro-hydraulic power recirculating ball steering system, steering column and other products expanded by the Company, as well as focused intelligent steering technology such as wire-controlled steering, are in line with the development trend of motorization, intelligence and networking, and comply with various national incentive policies.

2. The development of downstream automobile market drives the continuous growth of automobile steering system demand

From the perspective of the domestic automobile per capita ownership, China is still at a low level compared with other major countries, and there is still much room for improvement. With the steady growth of the domestic economic situation, the GDP per capita continues to grow steadily, the domestic infrastructure construction continues to improve, and the road area per capita continues to grow, providing important support for the growth of the domestic automobile per capita ownership.

In recent years, with the gradual improvement of new energy vehicle manufacturing technology and market recognition, the domestic automobile motorization has witnessed rapid progress. In 2020, affected by the “COVID-19 epidemic”, the production and sales of the whole automobile industry declined. However, through the cultivation of the new energy industry chain over the years, the R&D, manufacturing, sales and other links gradually matured, the products became richer, and the market recognition continued to improve. Since 2020, the production and sales of new energy vehicles have increased, and the rapid growth stage has begun. From the data point of view, the proportion of domestic new energy vehicle production has increased from less than 2% in 2015 to more than 20% in the first half of 2022. Meanwhile, the scale of domestic new energy vehicles is developing rapidly, with a compound growth rate of above 40% for new energy vehicle production from 2018 to 2021.

The automobile steering system and its components are particularly important for the safety of automobile driving, and are an indispensable part of the automobile. Therefore, the vigorous development of the downstream automobile market will inevitably drive the rapid development of the automobile steering industry. In addition, as the proportion of new energy vehicles continues to increase, the penetration rate of intelligent, motorized and lightweight vehicle steering products that meet the requirements of new energy vehicles will further increase. The products involved in the investment projects are mainly products developed to meet the requirements of the trend of motorization, intelligence and networking of automobile. Vast potential market is expected in the future accordingly.

3. *The Company has possessed the relevant core technological capability and synchronized development capabilities*

The Company has always paid attention to the investment in technology research and development, and has possessed the relevant core technological capability required by the products to be manufactured under the Projects, including the related technology patents and exclusive technologies. It also possessed the abilities of developing the relevant products based upon those technologies. In addition, since its establishment, the Company has entered the procurement system of several well-known automobile brands. With years of technical accumulation and product development practice, the Company has reached the technical indicators of mainstream automobile manufacturers in the field of automobile steering products, and has the ability to support traditional fuel vehicles, new energy vehicles and carry out synchronous development of complete vehicles with OEMs. Overall, they have laid solid foundation for the implementation of the Projects in terms of, amongst others, technological strength, development capabilities and subsequent promotion of products, and bulk production.

4. *The Company possessed ample internal and external resources*

The Company has focused on the automotive steering industry for more than 30 years. It owns a stable and well-experienced production management and sales team together with ample industry resources: the key members of the existing team have more than 10 years of experience in the automotive industry on average, possess all-round management skills in the areas of business operation, R&D, technological management and sales as well as rich operating experience, precisely keep abreast of the status quo and progress on industry development, and have served the Company for many years, ensuring a stable and harmonic work environment. The Company adheres to the business philosophy of “pragmatism and innovation”, constantly introduces advanced technology and production testing equipment, gathers domestic and foreign experts, technical talents and management elites, and implements the refined production and management mode. The Company carries out independent design and integrated innovation in the core assembly and testing production line to create an intelligent production line. In addition to the functions of online automatic assembly, online testing, online data storage, online data analysis and long-term data traceability, the production line also has the ability to conduct flexible production, and can realize rapid iteration of the production line with subsequent product upgrades. Moreover, the Company has abundant resources of suppliers.

With over 30 years of experience in OEM supply in automobile industry, the Company has good R&D and design advantages, stable product quality advantages, large-scale production advantages and rapid response to customer service advantages. By virtue of the above advantages, the Company has become a first-class supporting supplier of many reputable domestic and foreign automobile manufacturers, with diversified and international customer resources. The multi-level customer structure and domestic and foreign businesses help reduce the overall operating risk of the Company, and provide an important guarantee for the capacity digestion of the Company's investment projects.

(III) Basic Information of the Investment Projects**1. *The annual production of 600,000 automobile intelligent steering system technical transformation project***

This project is located in Qiantang District, Hangzhou City, Zhejiang Province, which includes the construction of the production lines for steering systems such as R-EPS, intelligent electric power manual recirculating ball and intelligent electro-hydraulic power recirculating ball, etc., with a construction period of 36 months. The total investment of this project is RMB300,000,000, and the investment includes construction works, equipment purchase and installation and initial working capital.

2. *The automotive intelligent steering system and key components development project*

This project is located in Tiedong Economic Development Zone, Siping City, Jilin Province, which includes the construction of the production lines for steering system and key components such as steering columns, intermediate shafts, intelligent electric power manual recirculating ball and intelligent electro-hydraulic power recirculating ball, etc., with a construction period of 36 months. The total investment of this project is RMB500,000,000, and the investment includes construction works, equipment purchase and installation, basic preparation cost and other expenses and initial working capital.

3. *The intelligent network connected automobile steer-by-wire technology research and development center project*

This project is located in Mentougou District, Beijing, mainly focusing on the research and development and industrialization of future steering technology, layout of control technology for automotive intelligent wire-controlled steering, control technology for automotive wire-controlled four-wheel steering, design technology for high safety steering control modular, with a construction period of 30 months. The total investment of this project is RMB180,000,000, and the investment includes equipment purchase and installation, basic preparation cost and other expenses and initial working capital.

4. *The replenishment of working capital*

The Company intends to use RMB200,000,000 of the proceeds raised from the Non-public Issuance of Shares to supplement its working capital, which will provide financial support for the Company's business expansion, talent introduction, scientific and technological innovation and technology research and development, thus to enhance the Company's operational capability and market competitiveness and achieve the Company's long-term strategic development goals, as well as further reduce the asset and liability ratio, improve the capital structure and strength financial soundness.

III. IMPACT OF THE ISSUANCE ON THE OPERATION MANAGEMENT AND FINANCIAL CONDITIONS OF THE COMPANY

(I) Impact on the operation management of the Company

Such investment projects conform to the national industrial policies and the overall strategic direction of the Company in the future, and has good market development prospects and economic benefits. Among them, after the completion of the “annual production of 600,000 automobile intelligent steering system technical transformation project” and the “automotive intelligent steering system and key components development project”, the Company’s business scale will be further expanded and the product structure will be optimized, which will help timely meet the requirements of auto manufacturers for the motorization, intelligence and networking of auto parts, and further enhance the Company’s core competitiveness and overall operation capability, improve the Company’s position in the industry and expand its market share. After the completion of the “intelligent network connected automobile steer-by-wire technology research and development center project”, the Company’s key technology level and new business development level will be improved, and the Company’s independent innovation ability will be enhanced, which will help the Company further develop new technologies and products related to wire-controlled steering, four-wheel steering, and high security steering, and support the Company’s subsequent rapid development.

Meanwhile, the Non-public Issuance is conducive to strengthening the Company’s capital strength, easing the pressure on the Company’s working capital, improving the Company’s financial situation, and laying a foundation for the Company’s further development.

(II) Impact on the financial conditions of the Company

Upon the completion of the Non-public Issuance, the scale of total assets and net assets of the Company will be increased, the asset-liability ratio of the Company will decrease accordingly, and the overall financial structure will be more stable. The Issuance is conducive to strengthening the capital strength and reduce financial risks of the Company.

The construction and operation of the investment projects financed by the Non-public Issuance would need a certain period. Upon the completion of the issuance, the earnings per share and the return on net assets of the Company will be diluted to a certain extent in the short term. However, with the gradual implementation and construction of the investment projects, the scale of the Company’s operating revenue and profit level will grow steadily, the profitability will be further enhanced, and the Company’s comprehensive competitiveness will also be further improved.

CHAPTER III DISCUSSION AND ANALYSIS ON THE IMPACT OF THE ISSUANCE ON THE COMPANY BY THE BOARD OF DIRECTORS**I. DESCRIPTION OF THE EXPECTED CHANGES IN THE BUSINESS AND ASSETS INTEGRATION PLAN, THE ARTICLES OF ASSOCIATION, SHAREHOLDERS' STRUCTURE, SENIOR MANAGEMENT STRUCTURE AND BUSINESS STRUCTURE OF THE COMPANY UPON THE ISSUANCE****(I) Impact of the Issuance on the Business and Assets Integration Plan**

The Company is one of the early movers in the development of hydraulic power steering gears and electric power steering system in the PRC. The Company committed to its abiding R&D on and manufacture of automotive steering systems and matching components with a comprehensive production line covering mechanical steering, hydraulic power steering, electric power steering and other product lines, and is developing and promoting wire-controlled steering products. As the “Leading Enterprise of China’s automotive component steering gears industry”, the Company has become an important independent brand manufacturer of automotive steering systems with diversified and internationalized customer resources.

The Company adheres to the business philosophy of “pragmatism and innovation”, continuously introduces advanced technology and production testing equipment, gathers domestic and foreign experts, technical talents and management elites, and implements refined production and management model. With over 30 years of experience in OEM supply in automobile industry, the Company has good R&D and design advantages, stable product quality advantages, large-scale production advantages and rapid response to customer service advantages.

Upon completion of the Non-public Issuance, the Company will strengthen its investment in the R&D, manufacture and sales of automotive steering gears and other key components and parts of steering system, which will help the Company to gradually transform its accumulated technical advantages into product advantages, improve its market share and continue to enhance its core competitiveness. The availability of the proceeds and the implementation of the projects will effectively support the Company to upgrade its product structure, enhance its overall competitiveness and promote the sustainable and healthy development of its business, which is in line with the long-term development needs of the Company and the interest of all shareholders.

(II) Impact of the Issuance on the Articles of Association

Upon the completion of the Non-public Issuance, the registered capital and the total share capital will be increased accordingly and the shareholders' structure will have certain changes. The Company will make corresponding amendments to related articles of the Articles of Association based on the actual issuance results and changes of share capital and make application for changes of filing with the market supervision authorities. Save as mentioned above, the Company has no other amendment or adjustment plan of the Articles of Association in relation to the Issuance. If in future the Company proposes to adjust the board of directors and the supervisory committee and involve amendments to the Articles of Association, the Articles of Association will be amended accordingly and industrial and commercial changes will be registered after the relevant approval procedures and information disclosure obligations have been fulfilled in accordance with the laws.

(III) Impact of the Issuance on the Shareholder's Structure

As at the announcement date of the proposal, the total share capital of the Company is 789,644,637 shares and the controlling shareholder of the Company is Shibao Holding, which holds 325,993,300 shares of the Company, representing 41.28% of its total share capital. The de facto controllers of the Company are Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong, who directly and indirectly hold a total of 352,392,400 shares of the Company, representing 44.63% of its total share capital.

The maximum number of shares to be issued under the Non-public Issuance is 236,893,391 shares (the final number of shares to be issued will be determined based on the results of the bidding for the Non-public Issuance and the number of shares to be issued as approved by the CSRC), and none of the controlling shareholders and the de facto controllers and their concert parties will subscribe. Based on the share capital of the Company as at 30 June 2022 and without taking into account other factors, assuming that the maximum number of shares to be issued is 236,893,391 shares, Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong will together control 34.33% of the voting rights of the shares of the Company after the Issuance, and Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong will remain as the de facto controllers of the Company.

Therefore, the Issuance will not cause any changes to the control right of the Company.

(IV) Impact of the Issuance on the Senior Management Structure

The Issuance will not cause any changes to the senior management structure upon the Issuance.

(V) Impact of the Issuance on the Business Structure

After the Issuance, the Company will upgrade its product structure, enhance the product lines, and further improve R&D and design capability to enlarge the income scale and profit space and enhance the risk resistance capacity of the Company while the main business of the Company will not be changed before or after the Issuance.

II. CHANGES IN THE FINANCIAL CONDITIONS, PROFITABILITY AND CASH FLOW OF THE COMPANY UPON THE ISSUANCE**(I) Impact on the Financial Conditions of the Company**

Upon the completion of the Issuance, the scale of total assets and net assets of the Company will accordingly increase, and the asset-liability ratio will decrease while the financial strength will be effectively strengthened and the solvency will be further enhanced, which is conducive to continuing to maintain the sound financial structure at lower financial risks and improving the creditability of the Company.

(II) Impact on the Profitability of the Company

After completion of the Issuance and in the view of that the economic benefits of the investment projects with the proceeds will be released gradually within a certain period of time after the completion of the projects, the earnings per share and return on net assets will be probably diluted by a certain extent in a short term, but along with the gradual commencement of the investment projects with the proceeds, the revenue from the business will be gradually expanded and the profitability of the Company will be gradually increased.

(III) Impact on the Cash Flow of the Company

After completion of the Issuance, the cash inflow from financing activities will increase significantly. Along with the gradual commencement of the investment projects with the proceeds, the cash outflow from the investing activities in the future will increase correspondingly. Following the gradual evolution of economic benefits, the cash inflow and cash outflow from operating activities in the future will correspondingly increase.

III. CHANGES IN BUSINESS RELATIONSHIPS, ADMINISTRATIVE RELATIONSHIPS AND CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES, AND COMPETITION AMONG INDUSTRY PEERS

Upon the Issuance, the business relations and administrative relationships between the Company and Shibao Holding, the controlling shareholder, and the de facto controllers, Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong, as well as their associates will not be changed, and there will not be any new major connected transactions and competition among industry peers upon the Issuance.

IV. THE CAPITAL OR ASSETS OF THE COMPANY WILL NOT BE OCCUPIED BY THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES, OR THE COMPANY WILL NOT PROVIDE GUARANTEE TO THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES, UPON THE ISSUANCE

After the Non-public issuance, the capital or assets of the Company will not be occupied by the controlling shareholder and its associates, and the Company will not provide guarantee to the controlling shareholder and its associates.

V. THE DEBT STRUCTURE OF THE COMPANY AFTER THE COMPLETION OF THE ISSUANCE WILL BE REASONABLE AND THERE WILL BE NO SUBSTANTIAL INCREASE IN LIABILITIES (INCLUDING CONTINGENT LIABILITIES) UPON THE ISSUANCE, AND THERE WILL BE NO UNDER-INDEBTEDNESS RATIO OR UNREASONABLE FINANCIAL COSTS

As of 30 June 2022, the asset-liability ratio was 34.62%. Upon completion of the Non-public Issuance, the net asset and total asset scale of the Company will be improved and the asset-liability ratio of the Company will decrease, and the financial structure will become more resilient and the risk resistance capacity will be further enhanced. At the same time, the Issuance will not result in the Company having an excessively low debt ratio or unreasonable finance costs, nor will there be any substantial increase in liabilities (including contingent liabilities) upon the Issuance.

VI. DESCRIPTION OF THE RELEVANT RISKS INVOLVED IN THE ISSUANCE

When evaluating the Non-public Issuance of Shares, other than the information provided by the proposal, the investors should specially and carefully take the following risk factors into account:

(I) Risks relating to Industry Fluctuations

The success of the automotive components and parts manufacturing industry in which the Company operates is subject to the development of downstream automobile industry which is exposed to relatively greater influence by the macroeconomic cycle and the national policies. Should there be any cyclical fluctuations in the macroeconomic or adjustments to the national policies that result in changes of operating environment of the automobile industry, the automotive components and parts manufacturing industry will also be subject to corresponding fluctuations and the Company will in turn be subject to the resulting operational risk.

(II) Risk relating to Operation**1. Risks relating to product quality**

Products made by the Company are the key component for automobile that determines the operability, stability and safety of the vehicle. As such, the quality of such products is directly pertinent to the overall vehicular performance. Therefore, downstream customers require the Company to provide products that are in line with standards according to the related component technical agreements, quality guarantee agreements and other prevailing international and national standards and industrial practices. Should any problems in relation to product quality arise, the Company is liable to repair or replace products in question and shall bear the related costs incurred therefor. Should there exist any defects in terms of environmental protection or safety that result in recall of vehicles, in addition to certain expenses incurred for such recall, the Company will be also subject to adverse effects on its brand, reputation, market expansion and operating results.

2. Risk relating to technical innovation

As the automobile industry is developing at a fast pace, automakers' requirements of automotive products in terms of safety, intelligence and energy saving are becoming higher, resulting in the requirements of corresponding technological advance and product innovation for the automotive component production industry which is part of the automobile industry. Should the Company cannot sustain technology innovation and new products to cater to the consistently upgrading requirements of automakers, the Company's market expansion and profitability would be subject to adverse effect. In addition, the advantage over R&D

and technology is one of the key factors for the Company to maintain its competitive edges and development. Should there be any dispute in terms of technology, leaking of secrets in relation to technologies or loss of key technicians, this would make an adverse impact on the Company's operation.

3. Risk relating to downward product price

Regarding the characteristic of the industry, the overall selling prices of automotive components are subject to the price trend of downstream vehicles. Therefore, automotive component manufacturers have weaker bargaining power against the downstream automakers. In addition, the adjustment to the internal product portfolio of the Company will also lead to decline in product price per unit to some extent. The major customers of the Issuer are renowned automakers. Should the prices of vehicles fall, these customers may pass on the partial pressure of price drop of vehicles to the Company, which would in turn influence the Company's profitability. Besides, should there be any change in the internal product portfolio of the Company due to factors like market demand, the average product price per unit of the Company may fall and hence influence the Company's profitability.

4. Risk relating to price fluctuation of raw materials

The main raw materials of the Company are machined components, standard components, electronic components, blank pieces (iron castings, aluminium castings), seals, pig iron etc., and the cost of raw materials takes up the bigger portion in the cost of production. Price fluctuations of raw materials exert certain influence on production cost, gross profit margin and customers' expectation on the purchase prices. Should there be any significant changes of the prices of raw materials which is out of expectation over a period, it would expose the Company to certain operating risk.

5. Risks relating to overseas market expansion

The Company's product sales are mainly concentrated in the domestic market. In recent years, the expansion of overseas markets has begun to deliver results. The Company achieved the volume export of hydraulic power rack-and-pinion steering gear and other automotive steering gear assembly products and chassis, and was qualified as a supplier of Daimler Group in connection with the global sourcing of chassis and steering gears for commercial vehicle and achieved bulk supply. As the Company deepens its understanding of overseas markets, the Company will steadily propel the expansion of overseas markets on top of strengthening the domestic market. In the event of material adverse changes in the international political situation as well as the politics, economic environment, automobile consumption policies and

international trade policies of countries and regions where the Company's products are sold, there will be an impact on the expansion of the Company's overseas markets and potentially the Company's operation results and financial conditions.

6. Risk relating to operation management risk arising from expansion in scale

Subsequent to the commencement of the Company's fund-raising investment projects, the Company's assets and business scale will further expand, leading to a higher requirement of the Company's operation management, market expansion and product sales and in turn heightening the complexity of its management and operation. Should the Company cannot adjust its adaptability of its existing management method in a systematic way, this would impose direct effect on the Company's development pace, operation efficiency and business results.

(III) Risk relating to Higher Proportion of Accounts Receivable

During the period from the end of 2019 to the end of June 2022, the absolute amount and proportion of carrying amount of accounts receivable remained at a relatively high level, which was mainly due to industry characteristics and sales settlement methods. With the investment projects of the Company coming into operation, the scale of the Company's businesses will further expand. Therefore, the amount of accounts receivable is likely to rise further. Should there is any failure in collection of accounts receivable or financial crisis of our customers, it would expose us to the risk of bad debts.

(IV) Risk relating to the Implementation of Investment Projects

The projects to be invested are the "the annual production of 600,000 automobile intelligent steering system technical transformation project", "the automotive intelligent steering system and key components development project" and "the intelligent network connected automobile steer-by-wire technology research and development center project". These are all investment projects closely related to the Company's main business and are in line with the Company's future development plan. Upon completion of the investment projects, the Company's development strategy, brand building, scale of operation and performance level will be positively affected. However, there is a certain degree of uncertainty regarding the construction plan, implementation process and effectiveness of the investment projects. The profitability of the investment projects will be affected by various factors such as construction costs, progress of construction and whether the quality of the projects will meet the expected targets. At the same time, factors such as the development of competitors, changes in product prices, changes in market volume, the emergence of new products, changes in the macroeconomic situation and market development may also affect the return on investment of the projects, so there is still a possibility that the investment projects may not achieve the expected returns.

(V) Risk relating to the Dilution on the Current Return as a Result of the Issuance

When the proceeds from the Non-public Issuance of Shares are available, there will be an increase both in the total share capital and net assets of the Company. As the investment projects are expected to take a certain period of construction, it is not possible to significantly improve the operating results of the Company in the short term. Therefore, during the construction period and the initial stage of production, the investment projects will make relatively small contribution to the growth of the Company's results, and the growth of the Company's net profit may be lower than the growth of its net assets in the short term, and there is a risk that the increase in net assets after the Non-public Issuance will lead to a decrease in the return on net assets for a certain period of time.

(VI) Other Risks**1. Risk relating to the share price fluctuation**

The Non-public Issuance will have a significant impact on the Company's future production and operations, and changes in the Company's fundamentals will affect the price of the shares. In addition, other than the effect from the operating and financial position, the price of the shares of the Company is also subject to various factors such as international and national macroeconomic development, capital market trend, market sentiment and all kinds of material incidents. Investors are reminded to exercise prudent judgements with regard to the potential investment risks brought by the foregoing factors when considering investment in the shares of the Company.

2. Risk relating to approval of the Issuance

The Non-public Issuance is subject to the consideration at the general meeting and class meetings of the Company, as well as the approval of the CSRC. There exist uncertainties as to whether the permission or approval of the general meeting and related authorities can be obtained and the effective time of obtaining such permission or approval from the relevant competent authorities.

CHAPTER IV THE PROFIT DISTRIBUTION POLICIES AND IMPLEMENTATION OF THE COMPANY

I. PROFIT DISTRIBUTION POLICIES OF THE COMPANY

The provisions of the Articles of Association in respect of the profit distribution policies are as follows:

(I) Principle of Profit Distribution

The board of directors of the Company shall take various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement, and differentiate the circumstances to propose a specific policy for distributing cash dividend according to the procedures of the Articles of Association.

The Company shall adopt a continuous and steady profit distribution policy with an emphasis on providing reasonable investment return to its investors and maintaining the sustainable development of the Company which is in compliance with the relevant laws and regulations.

In case there are distributable profits, the Company shall pay dividends once a year in principle as its profit distribution policy, and pay cash dividends as a priority. Taking into account the Company's full year operating results not yet finalized, the amount of distributable profits in accordance with the law is not certain, the Company in principle shall not pay an interim dividend. If the board of directors of the Company does not make an annual profit distribution proposal, it shall disclose the reasons thereof in its annual reports which shall contain the independent opinions of the independent directors.

(II) Form and Conditions for Profit Distribution

Dividends may be distributed in the following ways: (1) cash; (2) shares.

The Company adopts cash dividend as its priority dividend distribution policy, i.e., the Company pays cash dividends out of the distributable profits achieved within the accounting year after appropriation to the statutory common reserve fund and retained common reserve fund in accordance with the laws. If the operating income of the Company is growing rapidly and the board of directors believes the share prices of the Company's shares do not match the scale of its share capital, the board of directors may propose to distribute dividends in shares of the Company based on the fulfillment of the above-mentioned cash dividend distribution.

(III) Proportion of Profit Distribution

The Company's profit distribution shall not exceed the range of accumulated distributable profits. The distribution of cash dividends in one accounting year shall not less than 20% of the distributable profits achieved within the year.

(IV) Decision-making Procedures of Profit Distribution

The formulation of and adjustment to the profit distribution policy and the profit distribution plan of the Company are formulated and considered by the board of directors. Independent Directors may also collect the opinions of minority shareholders for proposing profit distribution plan, which is then directly submitted to the board of directors for consideration. Once the board of directors resolved on the profit distribution policy and the profit distribution plan, they are submitted to the shareholders' general meeting for consideration. Independent directors shall review and provide opinions in writing on the profit distribution policy and the profit distribution plan being submitted to the shareholders' general meeting for consideration.

Prior to the consideration by the shareholders' general meeting on the specific cash dividend distribution plan, initiatives should be taken to communicate with shareholders through various channels, especially to communicate and exchange with minority shareholders. The views and aspirations of minority shareholders shall be fully heard, with their questions concerned promptly addressed.

In case there are distributable profits, the board of directors may make a cash dividend distribution and/or stock dividend distribution proposal according to the Company's business and financial position. Such resolution shall be voted and approved by more than half of the directors. The profit distribution proposal of the Company shall be considered and approved at the general meetings, and shall be passed by more than half of the voting rights held by the shareholders (including proxies) who are present at the general meetings.

The Company shall disclose in details the formulation and performance of cash dividend policy in the annual reports. In case that the Company has distributable profit in last accounting year and the board of directors of the Company does not make proposal for the profit distribution in cash after the end of last accounting year, the reasons concerned and the use of such undistributed profit maintained by the Company etc. shall be disclosed in the annual reports. The independent directors shall express independent opinions on such matter.

(V) Execution of Profit Distribution

After the profit distribution plan has been approved by the general meetings of the Company, the board of directors of the Company shall complete the distribution of dividends (or shares) within 2 months of the general meetings.

In the event that a shareholder misappropriates the funds of the Company, the Company shall deduct the cash dividend distributable to such shareholder for recovery of the misappropriated funds. Cash dividends and other payments made to the holders of domestic shares shall be calculated and declared in RMB. Cash dividends and other payments made to holders of foreign shares (not yet listed in overseas) and holders of H Shares shall be calculated and declared in RMB and paid in foreign currency.

When the Company needs to pay foreign currencies to holders of foreign shares (not yet listed overseas) and holders of H Shares, the Company shall handle it in accordance with the relevant provisions on foreign exchange management of the state. Unless otherwise provided by laws and administrative regulations, payment of cash dividends and other monies in foreign currencies is calculated on the average price of the conversion of RMB into foreign currencies in five (5) days as announced by the People's Bank of China five (5) working days preceding such monies are declared.

The dividend of the Company carries no interest, unless the Company does not pay the relevant dividend to the shareholders on the dividend payable date. Shareholders are entitled to interest for any amount paid up in advance of calls but shall have no right to receive the interest declared before the payable date of calls.

When distributing dividends to shareholders, the Company shall by reference to the distributed amounts withhold and pay on behalf of the individual shareholders the tax payable on dividend income in accordance with PRC tax law.

The Company shall appoint receiving agents on behalf of the holders of overseas listed foreign shares. Receiving agents shall receive on behalf of the relevant shareholders dividends distributed and other monies payable by the Company in respect of overseas listed foreign shares. The receiving agent appointed by the Company shall meet the relevant requirements of the laws or the stock exchange of the place of listing. The receiving agent which the Company appoints for the holders of H Shares shall be a trust company registered under the Trustee Ordinance of Hong Kong.

(VI) Adjustment to the Profit Distribution

In the event that the Company is required to adjust the profit distribution policy based on its production and operation, investment planning, and long-term development needs, the adjusted profit distribution policy shall not violate the relevant regulations of the CSRC and the stock exchanges.

A resolution regarding the adjustment to the profit distribution policy shall be proposed to the general meeting for approval upon the consideration of the board of directors of the Company. The independent directors and supervisory committee shall in advance express their independent views in this respect. The general meeting shall provide the shareholders with on-line vote platform. The adjustment to cash dividend policy shall be passed by more than two-thirds (2/3) of the voting rights held by the shareholders who are present at the general meeting.

(VII) Other Requirements of the Company in relation to Profit Distribution

Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until six (6) years or more after the date of declaration of the dividend.

Where power is taken to cease sending dividend warrants by post, if such warrants have been left not cashed, that power will not be exercised until such warrants have been so left not cashed on two (2) consecutive occasions. However, such power may also be exercised after the first occasion on which such a warrant is returned undelivered.

Unless in compliance with all the following provisions, the Company cannot exercise its power to sell the shares of a member who is untraceable:

- (1) during a period of twelve (12) years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and
- (2) on expiry of the twelve (12) years the Company gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies Hong Kong Stock Exchange of such intention.

The dividend policy of the Company complies with the relevant requirements under the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution by Listed Companies issued by the CSRC.

II. THE CASH DIVIDENDS AND USE OF UNDISTRIBUTED PROFITS OF THE COMPANY IN THE PAST THREE YEARS

(I) The Cash Dividends in the Past Three Years

Pursuant to the relevant provisions of the Articles of Association in regard to profit distribution, combining with the operation condition and capital need, the Company has not made profit distribution and cash dividends in the past three years to better safeguard the long-term interests of all shareholders, which in line with the relevant laws and regulations and the requirements of the Articles of Association.

(II) Use of Undistributed Profit in the Past Three Years

The total undistributed profit in the past three years is considered as the important component of the fund required for the Company's overall development, which is used for the production, operation and development of the Company, to support the long-term sustainable development and improve the market competitiveness and profitability of the Company. The arrangement of the use of the undistributed profit of the Company is in line with the actual situation and the interests of the whole shareholders.

III. THE PLAN OF THE COMPANY FOR SHAREHOLDERS' RETURN FOR THE NEXT THREE YEARS

In order to further raise the Company's attention towards the shareholders' return and provide sustainable, stable and reasonable investment returns to shareholders, the Company has formulated the Plan for Shareholders' Return for the Next Three Years (2022-2024) pursuant to the requirements of the Company Law, the Securities Law, the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies, the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution by Listed Companies and the Articles of Association, after taking into account the actual operating conditions and the future needs for development of the Company. The details of the plan are as follows:

(I) Considerations in the Formulation of the Plan

The Company is committed to sustainable development. It establishes sustainable, stable, scientific and foreseeable return plan and mechanism for its investors after taking into account factors including the actual operation and development of the Company, the cost of social capital as well as the financing conditions. The Company makes proactive, specific and systematic arrangement for the Company's profit distribution to ensure the continuity and stability of its profit distribution policies.

(II) Principles for the Formulation of the Plan

Formulation of the plan shall comply with the relevant laws and regulations as well as the relevant profit distribution requirements under the Articles of Association. The Company shall adhere to the principles of the reasonable investment returns to the shareholders and sustainable development of the Company in formulating a reasonable plan for shareholders' return. Meanwhile, the Company manages to maintain a balance between short-term interests and long-term development of the Company to ensure the continuity and stability of the profit distribution policies.

(III) The Plan for Shareholders' Return for the Next Three Years (2022-2024)

1. Distribution method: for the next three years, the Company may distribute dividends in cash, in shares or in a combination of both cash and shares. The Company will give priority to dividend distribution in cash when the conditions

for distribution of cash dividends are satisfied, i.e., the Company's profit for the year will be distributed as dividend in cash after making allocation to the statutory surplus reserve and surplus reserve. If the board of directors considers that, as a result of the rapid growth in the Company's operating income, the share price of the Company no longer matches the scale of the share capital of the Company, the Company may propose and implement a policy of profit distribution in the form of share dividends.

2. Distribution period: for the next three years, the Company, by principle, will have annual profit distribution when there is distributable profit. In case the board of directors of the Company fails to prepare a plan for the annual profit distribution, the reasons of non-distribution should be disclosed in periodic reports and the independent directors shall express independent opinions in this regard. Considering the annual operating results of the Company have not yet finalized and hence there is uncertainty in the amount of the distributable profit, the Company will not pay any interim dividends in principle.
3. Distribution proportion: the profit to be distributed by the Company shall not exceed the cumulative distributable profit. The profit distributed in cash in any accounting year shall not be lower than 20% of the distributable profit realized for the year.
4. Varied cash dividends distribution policies: the board of directors of the Company should consider the following factors including the features of the industry in which the Company operates, the stage of development, the Company's business model, profit level and whether there is any arrangement for significant capital expenditures (excluding fund raising projects) etc., to distinguish the following conditions and propose varied cash dividends distribution policies according to the procedures as required under the Articles of Association:
 - (1) if the Company is in a mature development stage without arrangements for significant capital expenditures, the minimum percentage of cash dividend in profit distribution shall be 80%;
 - (2) if the Company is in a mature development stage with arrangements for significant capital expenditures, the minimum percentage of cash dividend in profit distribution shall be 40%;
 - (3) if the Company is in a growth development stage with arrangements for significant capital expenditures, the minimum percentage of cash dividend in profit distribution shall be 20%.

The board of directors of the Company shall formulate the detailed profit distribution plan according to the relevant requirements of the CSRC. The board of directors shall work out the profit distribution plan after taking full account of the detailed operating data, the Company's amount of profit, cash flow, development stage

and the current capital requirements as well as the opinions of shareholders (particularly the public investors) and the independent directors etc. Implementation of the profit distribution plan shall be conditional upon the approval of shareholders (including their proxies) holding more than half of voting rights present at the general meeting.

(IV) The Period for Formulating the Plan and Relevant Decision-making Mechanism

1. The board of directors of the Company shall review the plan once every three years and revise the plan timely and reasonably after taking into account the market conditions and policy changes, ensuring its content complies with the relevant laws and regulations and the profit distribution policies as confirmed in the Articles of Association.
2. For the next three years, if there are adjustments to the plan in the event of any changes in the external operating environment and the Company's own operating conditions, the revised shareholders' return plan shall comply with the relevant laws and regulations and the requirements of the Articles of Association.
3. In the event of any changes in the external operating environment and its own operating conditions that the Company needs to re-formulate or revise the shareholders' return plan according to the Articles of Association, the board of directors shall draft and formulate the relevant resolution and the independent directors shall express their opinions. The relevant resolution shall then be submitted to the general meeting after being approved by the board of directors and be passed by more than half of the voting rights held by shareholders (including their proxies) attending the general meeting; in the event that the Company revise the profit distribution policies as confirmed in the Articles of Association and re-formulate or revise the shareholders' return plan. The board of directors shall draft and formulate the relevant resolution which shall be submitted to the board of directors for approval only after being approved by the independent directors. The independent directors and the supervisory committee shall express their opinions and the relevant resolution will be submitted to the general meeting after being approved by the board of directors and be passed by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

(V) Others

Any matters not covered in the plan shall be implemented in accordance with the provisions of the relevant laws, regulations and the Articles of Association. The interpretation to the plan, so as its amendments, shall be vested to the board of directors and shall be effective from the date of approval at the Company's general meeting.

CHAPTER V THE DILUTION OF CURRENT RETURNS FROM THE NON-PUBLIC ISSUANCE AND THE REMEDIAL MEASURES

I. IMPACT OF DILUTION ON THE CURRENT RETURN RESULTING FROM THE NON-PUBLIC ISSUANCE ON KEY FINANCIAL INDICATORS OF THE COMPANY

(I) Major Assumptions and Premises

Based on the following assumptions, the Company analyzed the impact of dilution on the current return resulting from the Non-public Issuance on the main financial indicators. Investors are advised to be especially cautious about the following assumptions which do not constitute any forecast and commitment matters. Investors should not make investment decisions accordingly and the Company does not bear the responsibility for compensation for losses arising from such decisions. The proposal on the Non-public Issuance of shares and the actual completion of the issuance will ultimately be subject to the approval of the CSRC. The relevant assumptions are as follows:

1. Assuming that no significant changes take place in the Company's conditions such as macroeconomic environment, industrial policies and industry development;
2. Assuming that the Non-public Issuance is completed by 30 June 2023 (the completion time is only assuming time to estimate the dilution on the current return resulting from the Non-public Issuance and is ultimately subject to actual completion of the issuance);
3. Assuming that the number of shares to be issued will not exceed 236,893,391 shares (inclusive), and the final number of shares to be issued is subject to the approval of the CSRC;
4. When predicting the total share capital of the Company, only the impact of the Non-public Issuance of shares will be considered based on the total share capital before the Non-public Issuance of 789,644,637 shares, and the changes in the share capital caused by other factors will not be considered;
5. The impact of the use of the proceeds on the Company's production and operation and financial conditions (e.g., operating income, financial expenses, investment earnings, etc.) will not be considered in the estimation;
6. In predicting the Company's net assets, the impact of other factors other than proceeds, net profit, cash dividends and equity incentive plan on net assets will not be considered;

7. The Company's net profit attributable to owners of the parent company for the year 2021 was RMB34,156,300 and net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses was RMB1,609,200. In the absence of significant operational risks, the Company's profitability for the year 2022 and the year 2023 are at the same as those in the year 2021, respectively;
8. The above assumptions are solely made for the purpose of estimating the impact of dilution on the current return resulting from the Non-public Issuance on key financial indicators of the Company, and do not represent the Company's judgment on its operating conditions and trends for the year 2022 and the year 2023, nor does it constitute a profit forecast, and investors should not make investment decisions based on themselves.

(2) The Impact on Key Financial Indicators of the Company

Based on the above assumptions, the impact of dilution on the current return resulting from the Non-public Issuance on key financial indicators of the Company is as follows:

Item	Year 2022/ 31 December 2022	Year 2023/31 December 2023 Prior to the Issuance	After the Issuance
	Total share capital (0'000 shares)	78,964.46	78,964.46
Net profit attributable to shareholders of the listed company (RMB0'000)	3,415.63	3,415.63	3,415.63
Net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses (RMB0'000)	160.92	160.92	160.92
Net assets attributable to holders of ordinary shares of the Company at the beginning of the period (RMB0'000)	137,683.73	141,099.36	141,099.36
Net assets attributable to holders of ordinary shares of the Company at the end of the period (RMB0'000)	141,099.36	144,514.99	262,514.99
Total number of shares under the Issuance (RMB0'000)	–	–	23,689.34
Total proceeds raised from the Issuance (RMB0'000)			118,000.00
Number of months from the month following the issue month to the end of the year	–	–	6
Basic earnings per share (RMB)	0.04	0.04	0.03
Basic earnings per share (RMB), net of non-recurring gains or losses	0.002	0.002	0.002
Weighted average return on net assets	2.45%	2.39%	1.69%
Weighted average return on net assets after deducting non-recurring gains and losses	0.12%	0.11%	0.08%

Note 1: Basic earnings per share prior to the Issuance = net profit attributable to the holders of the ordinary shares of the Company for the current period / total share capital prior to the Issuance;

Note 2: Basic earnings per share after the Issuance = net profit attributable to the holders of the ordinary shares of the Company for the current period / (total share capital prior to the Issuance + number of new shares to be issued under the Issuance × number of months from the month following the issue month to the end of the year / 12);

Note 3: Weighted average return on net assets prior to the Issuance = net profit attributable to holders of the ordinary shares of the Company for the current period / (opening net assets attributable to the holders of the ordinary shares of the Company + net profit attributable to the holders of the ordinary shares of the Company for the current period / 2 – cash dividend for the current period × number of months from the month following the dividend distribution month to the end of the year / 12);

Note 4: Weighted average return on net assets after the Issuance = net profit attributable to holders of the ordinary shares of the Company for the current period / (opening net assets attributable to the holders of the ordinary shares of the Company + net profit attributable to the holders of the ordinary shares of the Company for the current period / 2 – cash dividend for the current period × number of months from the month following the dividend distribution month to the end of the year / 12 + total proceeds raised from the Issuance × number of months from the month following the Issuance month to the end of the year / 12).

According to the above table, with the increase in the share capital of the Company upon completion of the Non-public Issuance, if the Company's results do not increase to a corresponding extent upon completion of the Issuance, the Company's basic earnings per share and other indicators will decline to a certain extent within a short term and the immediate return to shareholders will have a certain degree of dilution.

II. RISK WARNING FOR THE DILUTION ON THE CURRENT RETURN AS A RESULT OF THE ISSUANCE

Upon the completion of the Non-public Issuance, to a certain degree, the total share capital and net assets of the Company will increase, and the comprehensive capital strength of the Company will be enhanced. The Company will rationalize the proceeds to expand its production line and establish an R&D center, thereby expanding its scale of operation and enhancing its profitability. However, according to the above calculation, the Issuance may result in a certain degree of decline in the Company's basic earnings per share and other indicators in the short term and a certain degree of the dilution on the current return to shareholders. The Company specially reminds investors to invest rationally and pay attention to the risk of dilution of current return resulting from the Non-public Issuance.

At the same time, in the process of calculating the effects on dilution on the current return as a result of the Issuance, the Company's assuming analysis of net profit attributable to owners of the parent company and net profit attributable to owners of the parent company after deducting non-recurring gains and losses do not constitute the profit forecast of the Company. Although the Company has formulated remedial measures in response to the risks for the dilution on current returns, such measures shall not be deemed as guarantee of the future profits of the Company. Investors shall not make investment decisions based on the above. The Company will not be liable for the losses suffered by investors due to the investment decisions made based on the above. Investors are advised to exercise caution.

III. THE NECESSITY AND REASONABLENESS OF THE FINANCING

For an analysis of the necessity and reasonableness of the investment projects from Non-public Issuance, please refer to "Chapter II The Feasibility Analysis by the Board of Directors on the Use of Proceeds" of the proposal.

IV. THE RELATIONSHIP BETWEEN THE USE OF PROCEEDS AND THE EXISTING BUSINESSES, AS WELL AS THE COMPANY'S RESERVES IN TERMS OF TALENT, TECHNOLOGY AND MARKET ENGAGED IN THE INVESTMENT PROJECTS

(I) Relationship between the Investment Projects and the Company's Existing Business

The Company is currently engaged in automotive components and parts manufacturing industry. The Company is one of the leading automotive steering system manufacturers in China, mainly principally engaged in the R&D, design, manufacture and sale of steering system and other key components. The proceeds from the Issuance are intended to be invested into "the annual production of 600,000 automobile intelligent steering system technical transformation project", "the automotive intelligent steering system and key components development project", "the intelligent network connected automobile steer-by-wire technology research and development center project" and replenishment of working capital. The investment projects are still in the automotive components and parts manufacturing industry and is based on the development trend of the downstream automotive market, the expansion of the existing product categories and the further enhancement of the product structure and R&D capability. Upon completion of the Issuance, there will be no significant change in the scope of the Company's business and main business, and the Company's assets and business scale will be further expanded. In addition, its business areas will be expanded and its core competitiveness will be enhanced, which is in line with the Company's positioning and development strategy.

(II) The Company's Reserves in terms of Talent, Technology and Market Engaged in the Investment Projects

After years of standardized operation, the Company has established a perfect human resources management system and has an experienced management team and technical team. After years of technology R&D and accumulation, the Company has laid a good foundation for the implementation of the investment projects. The Company has developed a wide market and has a stable customer base, which has laid a solid foundation for the sales of the Company's investment projects from the Non-public Issuance. Therefore, the Company has highly competent personnel, technology and market accumulation and has the ability to implement the investment projects.

V. MAIN MEASURES ADOPTED BY THE COMPANY AGAINST DILUTION ON CURRENT RETURNS RESULTING FROM THE NON-PUBLIC ISSUANCE**(I) Momentum of the Company's Existing Business Segments in terms of Operating Conditions**

The Company is currently engaged in automotive components and parts manufacturing industry. The Company is one of the leading automotive steering system manufacturers in China, principally engaged in the R&D, design, manufacture and sale of steering system and other components.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Company's operating revenue were approximately RMB982,370,400, RMB1,102,127,400, RMB1,177,915,800 and RMB554,052,600 respectively, showing a stable and increasing trend. Net profit attributable to owners of the parent company were approximately RMB-176,711,700, RMB40,846,000, RMB34,156,300 and RMB1,249,400 respectively, showing a fluctuating upward trend.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Company's scale of operation have continued to expand and its profitability have been on an upward trend. With the completion and production of the investment projects, the Company's competitive advantage in the industry is expected to be further highlighted, which will help the Company gain a larger market share in the wave of intelligence, energy saving and new energy vehicles.

(II) Major Risks and Improvement Measures

The success of the automotive components manufacturing industry in which the Company operates is exposed to relatively greater influence by the macroeconomic cycles and national policies, and is subject to the risks relating to industry fluctuations. Products made by the Company are the key component for automobile, so should any problems in relation to product quality arise, the Company is liable to repair or replace products in

question and shall bear the related costs incurred therefor, which makes the Company be subject to adverse effects on its brand, reputation, market expansion and operating results. As the automobile industry is developing at a fast pace, the requirements of automobiles in terms of intelligence, environmental protection, energy saving and safety are becoming higher. Should the Company cannot sustain technology innovation and new products to cater to the consistently upgrading requirements of automakers, the Company's market expansion and profitability would be subject to adverse effect. In addition, the Company is exposed to the risk relating to downward product price, the risk relating to price fluctuation of raw materials, the risk relating to higher concentration ratio of customer and the risk relating to higher proportion of accounts receivable.

In the face of above risks, the Company will continue to pay close attention to macroeconomic trends and changes in national policies as usual, and adjust its strategies and tactics as and when appropriate. The Company will continue to strengthen production and operations management to ensure that high-quality products are provided to customers. In addition, the Company will continue to increase its technology R&D efforts to consolidate and further enhance its leading position in the industry. In conclusion, the Company will continue to enhance its comprehensive strength and core competitiveness through the aforementioned and other related measures in order to further enhance its market share, its sales and procurement-related negotiation capabilities, thereby reducing the Company's operating risks.

(III) The Adoption of Specific Measures on the Dilution on the Current Return as a Result of the Issuance of the Company

1. Accelerate the implementation of the investment projects to achieve expected benefits

Recently, with the continued increase of downstream automobile market and the proportion of new energy vehicles, the market demand of automotive steering has also further boosted. As the progressive implementation of the investment projects of the Issuance, the existing production equipment, the scale of production and R&D strength of the Company will be enhanced, while better catering the market demand, operating results of the Company will be significantly improved, which can fill in to the dilution on the current return as a result of the Issuance for the shareholders.

As a result, upon the proceeds of the Issuance is available, the Company will actively allocate resources in all areas, work on the implementation of the investment projects and maximize the utilization efficiency of the proceeds, and accelerate the implementation of projects, so as to achieve the expected benefits as soon as possible and provide guarantee for the shareholders' returns in the future years.

2. *Actively expand the market and improve products competitiveness*

The product sales of the Company are mainly in the domestic market, enabling the Company to become a Tier-1 OEM supplier among domestic and international automakers with good reputation. On the one hand, such high-quality customers had strong competitive market and stable demand for their products, which laid a strong foundation for the development of the Company's business; on the other hand, such customers were demanding in terms of design and quality of products with higher added value, ensuring the higher profit level of the Company. Recently, overseas markets development of the Company has also begun to show results.

In the future, based on maintaining existing customers, the Company will consistently step up efforts in capturing new customers, especially the high-quality customers, and actively develop the oversea markets. On the one hand, the Company will be able to strengthen its position in the automotive steering by building a wider business cooperation with the customers and improving the product sales; on the other hand, the Company will promote the development of the industry in the intelligence and innovation by constantly improving the competitiveness of its products and its own profit level.

3. *Constantly improve the governance and enhance management of the Company*

In accordance with requirement of relevant laws and regulations and normative documents, the Company has formulated a series of systems and rules, and has relatively well-established systems of general meetings, the board of directors and supervisory committee, to form a corporate governance structure with clear authorization and responsibilities, specific duties, and effective balances between organ of authority, decision-making body, supervisory body and management; the Company has established management system covering quality, safe production, internal control, marketing management and human resources, and adjusted the related structure taking into account of actual situation of the Company, with the purpose to set up efficient and independent organizational function organizations that compatible with the production and operation of the Company.

In the future, the Company will increase the introduction and cultivation of talents, and continue to enhance its organizational capabilities, further improving the corporate governance and the awareness of standard management, and strengthen the management of internal government and financial government, so as to enhance its standard operation and management level of the Company.

4. Strengthen the supervision of proceeds and improve the efficiency of proceeds

To regulate the use and management of proceeds of the Company and ensure the use of the proceeds to be standardized, safe and efficient, the Company has formulated the Management Rules of Proceeds in accordance with the requirements of relevant law and regulations to standardize placement, use and management of proceeds and ensure the safety of the placement and use of the proceeds. Upon the completion of the Issuance, the proceeds shall be deposited into the special accounts designated by the board of directors for centralized management. The board of directors will continue to supervise the deposit and use of the proceeds, conduct regularly internal review for the proceeds and coordinate with regulatory banks and sponsor for inspection and supervision on the use of proceeds to ensure the reasonable and compliant use of proceeds and reasonably prevent the risks in relation to the use of proceeds.

5. Enhance the building of talent team to boost vitality for development

The Company has established an employee remuneration and evaluation system, which is in line with its operation and development. Meanwhile, the Company paid attention to skill training of employees and team building, so as to ensure that the personnel reserve of the Company meet its development demands. In addition, the Company has established a flexible talent introduction and incentive policy to attract external excellent talents to join the Company. In the future, the Company will make ongoing improvements to the approaches of its performance appraisal, establish a more effective employment incentive and competition mechanism, formulate a more scientific and reasonable mechanism of talent recruitment and training that caters to actual needs, and fully mobilize the subjective initiative of employees, so as to inject continuous vitality for the subsequent development of the Company.

6. Strictly implement the cash dividend policy and enhance the return for investors

According to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution by Listed Companies issued by CSRC, the Company has formulated the Plan for Shareholders' Return (2022-2024), based on full consideration of the return on shareholders' investment and the future operation and development and combined with the actual situation of the Company. The formulation and perfection of the aforesaid system further clarifies the decision-making procedures and mechanism of dividend distribution and the specific proportion of bonus shares to be issued of the Company, which will effectively guarantee the reasonable investment return of all shareholders.

In the future, the Company will continue to strictly implement its dividend policy and optimize the investment return mechanism to ensure that the interests of its shareholders, especially the minority shareholders, can be protected.

VI. UNDERTAKINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER, DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

In accordance with the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legal Rights and Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110)* (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17)* (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)) and the Guiding Opinions on Matters Concerning Dilution of Immediate Return by Initial Public Offering, Refinancing, and Material Assets Reorganization (CSRC Announcement [2015] No. 31)* (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(中國證監會公告[2015]31號)), the Company has conducted analysis of the impact on the current return as a result of the Non-public Issuance and proposed specific remedial measures for return. All directors, senior management, controlling shareholders and de facto controllers of the Company have made corresponding undertakings to ensure the effective implementation of the Company's remedial measures for return, as detailed below:

(I) Undertakings of all directors and senior management of the Company to take remedial measures for the diluted current return caused by the Non-public Issuance:

- “1. I hereby undertake not to transfer benefits to other entities or individuals with no consideration or under unfair terms, and shall not damage the Company's interests in any other ways;
2. I hereby undertake to constrain the consumption behavior in relation to my work duty;
3. I hereby undertake not to use the Company's assets for investments or consumption activities that are unrelated to the engagement and performance of my work duties;
4. I hereby undertake that the remuneration system formulated by the board of directors or the remuneration and evaluation committee will be linked with the implementation of the Company's remedial measures in relation to the returns of the Company;

5. I hereby undertake that if the Company implements any share incentive plan in the future, the vesting terms shall be operated in line with the implementation of the Company's remedial measures for the dilution of returns.

Upon the date of this undertaking, for any new regulatory measures issued by CSRC and the Shenzhen Stock Exchange in relation to the remedial measures and the undertakings that makes the above undertaking fails to meet such requirements, I hereby undertake that I shall make further undertaking(s) in accordance with those new requirements issued by CSRC and the Shenzhen Stock Exchange.

As one of responsible persons for taking the remedial measures, if I violate or refuse to perform the above undertaking, I agree to be subject to the punishment or other relevant regulatory measures against me by CSRC, the Shenzhen Stock Exchange or other security regulators in accordance with the relevant regulations and rules formulated or issued by them.”

(II) Undertakings of the controlling shareholders and de facto controller of the Company to take remedial measures for the diluted current return caused by the Non-public Issuance:

“The Company/I undertake not to interfere with the operation and management activities of the Company beyond authorities or encroach on the interests of the Company, and effectively implement the remedial measures on dilution of current returns of the Company.

Upon the date of this undertaking, for any new regulatory measures issued by CSRC and the Shenzhen Stock Exchange in relation to the remedial measures and the undertakings that makes the relevant systems of the Company and the Company's/my undertakings fails to meet such requirements, the Company/I hereby undertake that we shall make further undertaking(s) in accordance with those requirements issued by CSRC and the Shenzhen Stock Exchange, and actively promote the revision of the Company's systems, so as to comply with the requirements of CSRC and the Shenzhen Stock Exchange.

As one of responsible persons for taking the remedial measures, if the Company/I violate or refuse to perform the above undertaking, the Company/I agree to be subject to the punishment or other relevant regulatory measures against it/me by CSRC, the Shenzhen Stock Exchange or other securities regulators in accordance with the relevant rules and regulations formulated or issued by them.”

The Board of Directors of Zhengjiang Shibao Company Limited*

18 October 2022

* For identification purpose only

**APPENDIX II FEASIBILITY STUDY REPORT ON THE USE OF PROCEEDS
FROM THE NON-PUBLIC ISSUANCE OF A SHARES**

The following is the full text of the feasibility study report on the use of proceeds from the Non-public Issuance of A Shares. This feasibility study report is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

**FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM
THE NON-PUBLIC ISSUANCE OF A SHARES OF ZHEJIANG SHIBAO
COMPANY LIMITED***

Zhejiang Shibao Company Limited* (hereinafter referred to as the “Company” or “Zhejiang Shibao”) proposed to raise gross proceeds of not more than RMB1,180,000,000 through non-public issuance of shares to not more than 35 specific targets who satisfy the requirements of China Securities Regulatory Commission. The number of shares to be issued under the non-public issuance is calculated by dividing the total proceeds from the non-public issuance by the final issue price determined based on the inquiry, and shall not exceed 30% of the total share capital of the Company prior to the issuance. In case of any changes to the total share capital of the Company prior to the non-public issuance, the maximum number of shares to be issued will be adjusted accordingly to the total share capital of the Company at that time.

**APPENDIX II FEASIBILITY STUDY REPORT ON THE USE OF PROCEEDS
FROM THE NON-PUBLIC ISSUANCE OF A SHARES**

The Company's feasibility analysis on the use of proceeds from the non-public issuance of shares is as follows:

I. OVERVIEW OF THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF SHARES

The amount of gross proceeds from the non-public issuance of the Company shall be no more than RMB1,180,000,000. The net proceeds (after deducting the issue expenses) will be invested into the following projects:

Unit: RMB ten thousand

No.	Project name	Total investment amount	Amount of proceeds to be invested
1	The annual production of 600,000 automobile intelligent steering system technical transformation project (新增年產60萬台套汽車智能轉向系統技術改造項目)	30,000.00	30,000.00
2	The automotive intelligent steering system and key components development project (汽車智能轉向系統及關鍵部件建設項目)	50,000.00	50,000.00
3	The intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)	18,000.00	18,000.00
4	The replenishment of working capital (補充流動資金)	<u>20,000.00</u>	<u>20,000.00</u>
Total		<u>118,000.00</u>	<u>118,000.00</u>

In the event that the actual net proceeds of the issuance are less than the total amount of proceeds proposed to be invested into the projects set out above, the shortfall will be made up by the issuer using its own funds or through other financing methods.

Before the proceeds are available, the issuer may fund the projects in accordance with the actual progress of the projects by its self-raised funds first, which will be subsequently replaced by the proceeds when they are available. Without altering the investment projects, the board of directors of the Company can make appropriate adjustments to the application sequence and amount of the proceeds according to the actual conditions of the above projects.

II. BASIC INFORMATION ON THE INVESTMENT PROJECTS

(I) The Annual Production of 600,000 Automobile Intelligent Steering System Technical Transformation Project

This project is located in Qiantang District, Hangzhou City, Zhejiang Province, which includes the construction of the production lines for steering systems such as R-EPS, intelligent electric power manual recirculating ball and intelligent electro-hydraulic power recirculating ball, etc., with a construction period of 36 months. The total investment of this project is RMB300,000,000, and the investment includes construction works, equipment purchase and installation and initial working capital.

(II) The Automotive Intelligent Steering System and Key Components Development Project

This project is located in Tiedong Economic Development Zone, Siping City, Jilin Province, which includes the construction of the production lines for steering system and key components such as steering columns, intermediate shafts, intelligent electric power manual recirculating ball and intelligent electro-hydraulic power recirculating ball, etc., with a construction period of 36 months. The total investment of this project is RMB500,000,000, and the investment includes construction works, equipment purchase and installation, basic preparation cost and other expenses and initial working capital.

(III) The Intelligent Network Connected Automobile Steer-By-Wire Technology Research and Development Center Project

This project is located in Mentougou District, Beijing, mainly focusing on the research and development and industrialization of future steering technology, layout of control technology for automotive intelligent wire-controlled steering, control technology for automotive wire-controlled four-wheel steering, design technology for high safety steering control modular, with a construction period of 30 months. The total investment of this project is RMB180,000,000, and the investment includes equipment purchase and installation, basic preparation cost and other expenses and initial working capital.

(IV) The Replenishment of Working Capital

The Company intends to use RMB200,000,000 of the proceeds raised from the non-public issuance of shares to supplement its working capital, which will provide financial support for the Company's business expansion, talent introduction, scientific and technological innovation and technology research and development, thus to enhance the Company's operational capability and market competitiveness and achieve the Company's long-term strategic development goals, as well as further reduce the asset and liability ratio, improve the capital structure and strength financial soundness.

III. NECESSITY AND FEASIBILITY ANALYSIS OF THE INVESTMENT PROJECTS

(I) Necessity of the Investment Projects

1. To upgrade product structure and keep abreast of the direction of industry development

In recent years, with the gradual improvement of new energy vehicle manufacturing technology and market recognition, the domestic automobile motorization has witnessed rapid progress. The proportion of domestic new energy vehicle production has increased from less than 2% in 2015 to more than 20% in the first half of 2022. Meanwhile, the scale of domestic new energy vehicles is developing rapidly, with a compound growth rate of above 40% for new energy vehicle production from 2018 to 2021, which gradually changes the automotive steering product structure.

Specifically, from the passenger car sector, with the gradual improvement of the regulations on automobile energy-saving and emission reduction, the penetration of electric power steering system (EPS) has been basically completed, and there will be mainly the changes of market share of several technical paths and the penetration of the share of domestic independent brands in the coming period, which shows an expected further growth in share of R-EPS and DP-EPS; from the commercial vehicle sector, due to the inherent functional advantages of electric power including energy-saving and environmental protection, steering with speed and auto re-centering, the steering of commercial vehicles will gradually develop towards the direction of electro-hydraulic (loading large scenario) and electric (loading small scenario) power steering, and the penetration rate of intelligent electric power manual recirculating ball steering system and intelligent electro-hydraulic power recirculating ball steering system in the commercial vehicle sector will be further increased.

The production capacities of R-EPS, intelligent electric power manual recirculating ball steering system and intelligent electro-hydraulic power recirculating ball steering system possessed by the issuer currently fail to fully satisfy the demand of future large-scale orders. Therefore, the Company urgently needs to upgrade its existing production equipment conditions and production scale, so as to upgrade the product structure, enhance the Company's comprehensive competitiveness and lay a good foundation for its future development.

2. *To improve the product lines of the Company and enhance customer adhesion and influence*

The vehicle steering system consists of steering column, steering intermediate shaft, steering gear and other auxiliary parts, among which, the steering intermediate shaft connects the steering gear and the steering column; the steering column connects the steering wheel, which is a steering system product closer to the driver and its function, performance and noise directly affect the driving experience, setting higher demands on suppliers' research and development capability, production line equipment and process capability. The steering column contains mechanical steering column and electric steering column. The electric steering column is a high-end product in the steering column with rich functions, and its motorization attribute is conducive to the increase of intelligent functions, which is mainly used in high-end luxury models and fits the future development trend of motorization and intelligence.

In recent years, the Company's steering intermediate shafts, mechanical and electric steering columns have gradually realized industrialization, forming the overall supporting capacity of passenger car steering system, which is in line with the Company's development strategy of gradually expanding into the key automotive components connecting steering system integration and modularization. With the enrichment and perfection of the Company's product lines, on the one hand, it can effectively satisfy the customers' needs of diversification and modularized supply; on the other hand, it can give full play to and consolidate the Company's existing technical advantages and the cooperation advantages with automakers, improve customer adhesion, strengthen the Company's comprehensive competitiveness, so as to enhance the Company's overall influence and profitability.

Therefore, the Company urgently needs to expand the production capacity of steering columns and intermediate shafts and upgrade the production equipment to meet the downstream market demand.

3. *To further enhance the Company's research and development and design strength*

Since its establishment, the Company has always attached great importance to the research and development of automotive steering gears and other key components of steering systems, and has conducted in-depth theoretical research and accumulated extensive practical experience in this specialized field over the years. While actively developing new projects in parallel with customers, the Company emphasizes highly on the simultaneous research and development of technology, process and fully automated production equipment, and is actively working on the research and development and industrialization of the future steering technology.

APPENDIX II FEASIBILITY STUDY REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

The wire-controlled chassis is the “execution” cornerstone for the realization of automatic driving L3. Wire-controlled steering, as one of the key technologies of wire-controlled chassis, is at the stage of small-scale prototype. Therefore, under the general trend of automobile intelligence and electrification, the Company is keeping up with the development trend of wire-controlled chassis and constructing an automotive steering wire-control technology research and development center by upgrading and expanding the existing research and development center as well as increasing the investment in equipment research and development and professional supporting software. Based on the existing automotive electronics technology development capabilities, the Company will carry out vertical and horizontal technology research in the field of automotive intelligent driving, improve the technology research and development and innovation system, further improve the synchronous development and design capability with customers, so as to enhance the overall research and development level and technical strength of the Company and build up future automotive steering technology.

4. To meet the working capital shortfall arising from the Company’s continued business development in the future

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Company’s operating revenue were approximately RMB982,370,400, RMB1,102,127,400, RMB1,177,915,800 and RMB554,052,600, respectively, showing a stable and increasing trend. With the continuous growth of business scale, the scale of the Company’s demand for working capital has increased accordingly. The replenishment of working capital can partially satisfy the Company’s working capital shortfall arising from continuous business development in the future. In the context of the high prosperity of the automotive industry and the operation of the investment projects under the non-public issuance, it is expected that the Company’s business scale will continue to maintain a rapid growth trend in the future, and the Company will need to invest more funds for material procurement and product production due to the continuous expansion of business scale. The Company’s normal production and operation requires has a demand for working capital, therefore, without considering other factors, the Company will expose to a larger liquidity gap with the rapid growth of business scale. Accordingly, it is necessary to replenish the working capital by the proceeds raised.

(II) Feasibility of the Investment Projects

1. The construction of the projects is in line with several national incentive policies

As a pillar industry of the national economy, automobile plays an important role in the transformation and upgrading of the entire manufacturing industry and even China's economy. During the "13th Five-year Plan" period, the state launched a series of automobile industry policies, the core words of which are new energy vehicles, intelligent network connected automobiles and green economy.

On 11 March 2021, the Fourth Session of the 13th National People's Congress voted to adopt the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035", which clearly put forward six development policies for the automobile industry during the "14th Five-Year Plan", pointed out "break through the key technologies of new energy vehicles such as high safety power batteries, efficient drive motors, high-performance power systems, and accelerate the research and development of the basic technology platform for intelligent network connected linking automobiles and key components such as the software and hardware systems, drive-by-wire chassis, and intelligent terminals"; "actively and steadily develop industrial Internet and Internet of Vehicles", "explore the establishment of regulatory frameworks such as unmanned driving, and improve relevant laws and regulations and ethical review rules".

"Green Transportation Development Plan of the 14th Five-Year Plan" proposes to accelerate the promotion and application of new energy vehicles in urban public transport, taxi, logistics distribution and other fields, and the proportion of new energy vehicles in new or updated public transport, taxi, logistics distribution and other vehicles in the national ecological civilization pilot area and key areas for air pollution prevention and control shall not be less than 80%, while giving priority to the use of new and clean energy in the new and replacement of port operating machinery, port vehicles, tugs, and cargo terminal operating vehicles.

On 20 October 2020, the General Office of the State Council issued the "Development Plan for New Energy Automobile Industry (2021-2035)", the Plan clearly stated that at present, a new round of global scientific and technological revolution and industrial transformation is flourishing, and the integration of automobile and related technologies in energy, transportation, information communication and other fields is accelerating, making motorization and intelligence become the development trend of the automobile industry. The Plan proposes that by 2025, the sales volume of new energy vehicles shall reach about 20% of the total sales volume of new vehicles, highly autonomous vehicles shall achieve commercial application in limited areas and specific scenarios, and the convenience of charging and replacement services shall be significantly improved.

APPENDIX II FEASIBILITY STUDY REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

The technology R&D of R-EPS, intelligent electric power manual recirculating ball steering system, intelligent electro-hydraulic power recirculating ball steering system, steering column and other products expanded by the Company, as well as focused intelligent steering technology such as wire-controlled steering, are in line with the development trend of motorization, intelligence and networking, and comply with various national incentive policies.

2. The development of downstream automobile market drives the continuous growth of automobile steering system demand

From the perspective of the domestic automobile per capita ownership, China is still at a low level compared with other major countries, and there is still much room for improvement. With the steady growth of the domestic economic situation, the GDP per capita continues to grow steadily, the domestic infrastructure construction continues to improve, and the road area per capita continues to grow, providing important support for the growth of the domestic automobile per capita ownership.

In recent years, with the gradual improvement of new energy vehicle manufacturing technology and market recognition, the domestic automobile motorization has witnessed rapid progress. In 2020, affected by the “COVID-19 epidemic”, the production and sales of the whole automobile industry declined. However, through the cultivation of the new energy industry chain over the years, the R&D, manufacturing, sales and other links gradually matured, the products became richer, and the market recognition continued to improve. Since 2020, the production and sales of new energy vehicles have increased, and the rapid growth stage has begun. From the data point of view, the proportion of domestic new energy vehicle production has increased from less than 2% in 2015 to more than 20% in the first half of 2022. Meanwhile, the scale of domestic new energy vehicles is developing rapidly, with a compound growth rate of above 40% for new energy vehicle production from 2018 to 2021.

The automobile steering system and its components are particularly important for the safety of automobile driving, and are an indispensable part of the automobile. Therefore, the vigorous development of the downstream automobile market will inevitably drive the rapid development of the automobile steering industry. In addition, as the proportion of new energy vehicles continues to increase, the penetration rate of intelligent, motorization and lightweight vehicle steering products that meet the requirements of new energy vehicles will further increase. The products involved in this investment project are mainly products developed to meet the requirements of the trend of electrification, intelligence and networking of automobile. Vast potential market is expected in the future accordingly.

3. *The Company has possessed the relevant core technological capability and synchronized development capabilities*

The Company has always paid attention to the investment in technology research and development, and has possessed the relevant core technological capability required by the products to be manufactured under the Projects, including the related technology patents and exclusive technologies. It also possessed the abilities of developing the relevant products based upon those technologies. In addition, since its establishment, the Company has entered the procurement system of several well-known automobile brands. With years of technical accumulation and product development practice, the company has reached the technical indicators of mainstream automobile manufacturers in the field of automobile steering products, and has the ability to support traditional fuel vehicles, new energy vehicles and carry out synchronous development of complete vehicles with OEMs. Overall, they have laid solid foundation for the implementation of the Projects in terms of, amongst others, technological strength, development capabilities and subsequent promotion of products, and bulk production.

4. *The Company possessed ample internal and external resources*

The Company has focused on the automotive steering industry for more than 30 years. It owns a stable and well-experienced production management and sales team together with ample industry resources: the key members of the existing team have more than 10 years of experience in the automotive industry on average, possess all-round management skills in the areas of business operation, R&D, technological management and sales as well as rich operating experience, precisely keep abreast of the status quo and progress on industry development, and have served the Company for many years, ensuring a stable and harmonic work environment. The Company adheres to the business philosophy of “pragmatism and innovation”, constantly introduces advanced technology and production testing equipment, gathers domestic and foreign experts, technical talents and management elites, and implements the refined production and management mode. The Company carries out independent design and integrated innovation in the core assembly and testing production line to create an intelligent production line. In addition to the functions of online automatic assembly, online testing, online data storage, online data analysis and long-term data traceability, the production line also has the ability to conduct flexible production, and can realize rapid iteration of the production line with subsequent product upgrades. Moreover, the Company has abundant resources of suppliers.

**APPENDIX II FEASIBILITY STUDY REPORT ON THE USE OF PROCEEDS
FROM THE NON-PUBLIC ISSUANCE OF A SHARES**

With over 30 years of experience in OEM supply in automobile industry, the Company has good R&D and design advantages, stable product quality advantages, large-scale production advantages and rapid response to customer service advantages. By virtue of the above advantages, the Company has become a first-class supporting supplier of many reputable domestic and foreign automobile manufacturers, with diversified and international customer resources. The multi-level customer structure and domestic and foreign businesses help reduce the overall operating risk of the Company, and provide an important guarantee for the capacity digestion of the Company's investment projects.

IV. IMPACT OF THE ISSUANCE ON THE OPERATION MANAGEMENT AND FINANCIAL CONDITIONS OF THE COMPANY**(I) Impact on the Operating Management of the Company**

Such investment projects conform to the national industrial policies and the overall strategic direction of the Company in the future, and has good market development prospects and economic benefits. Among them, after the completion of the “annual production of 600,000 automobile intelligent steering system technical transformation project” and the “automotive intelligent steering system and key components development project”, the Company's business scale will be further expanded and the product structure will be optimized, which will help timely meet the requirements of auto manufacturers for the motorization, intelligence and networking of auto parts, and further enhance the Company's core competitiveness and overall operation capability, improve the Company's position in the industry and expand its market share. After the completion of the “intelligent network connected automobile steer-by-wire technology research and development center project”, the Company's key technology level and new business development level will be improved, and the Company's independent innovation ability will be enhanced, which will help the Company further develop new technologies and products related to wire-controlled steering, four-wheel steering, and high security steering, and support the Company's subsequent rapid development.

Meanwhile, the non-public issuance is conducive to strengthening the Company's capital strength, easing the pressure on the Company's working capital, improving the Company's financial situation, and laying a foundation for the Company's further development.

APPENDIX II FEASIBILITY STUDY REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

(II) Impact on the Financial Conditions of the Company

Upon the completion of the non-public issuance, the scale of total assets and net assets of the Company will be increased, the asset-liability ratio of the Company will decrease accordingly, and the overall financial structure will be more stable. This issuance is conducive to strengthening the capital strength and reduce financial risks of the Company.

The construction and operation of the investment projects financed by the non-public issuance would need a certain period. Upon the completion of the issuance, the earnings per share and the return on net assets of the Company will be diluted to a certain extent in the short term. However, with the gradual implementation and construction of the investment projects, the scale of the Company's operating revenue and profit level will grow steadily, the profitability will be further enhanced, and the Company's comprehensive competitiveness will also be further improved.

V. CONCLUSION OF FEASIBILITY ANALYSIS ON THE INVESTMENT PROJECTS

Based on the above, the investment projects funded by the non-public issuance of shares is related to the Company's main business, conforms to relevant national industrial policies and the Company's overall strategic development direction in the future, has certain economic and social benefits, is of great significance to the Company's sustainable development, and is necessary and feasible. The placement and use of the proceeds meet the long-term development needs of the Company, which is conducive to enhancing the Company's comprehensive competitiveness, consolidating the Company's market position and further improving the profitability of Company. Therefore, the use of the proceeds is reasonable and feasible, which is in the interest of the Company and the shareholders as a whole.

Board of Directors of Zhejiang Shibao Company Limited*

18 October 2022

* For identification purpose only

The following is the full text of the risk alert on issuance of A Shares, the relevant remedial measures and the undertakings given by relevant parties. This document is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

Stock Code: 002703

Short Name: Zhejiang Shibao

Announcement No.:2022-035



ZHEJIANG SHIBAO COMPANY LIMITED*

**ANNOUNCEMENT ON DILUTION OF CURRENT RETURNS AS A
RESULT OF THE NON-PUBLIC ISSUANCE OF A SHARES, THE
REMEDIAL MEASURES AND RELATED ENTITIES' UNDERTAKINGS**

The Company and all members of the board of directors confirm that the information contained in this announcement is true, accurate and complete, and no misrepresentations, misleading statements or material omissions are contained herein.

In accordance with the requirements of the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Markets (Guo Fa [2014] No.17)(《國務院關於進一步促進資本市場健康發展的若干意見》國發[2014]17號), the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legal Rights and Interests of Small and Medium Investors in the Capital Markets (Guo Ban Fa [2013] No.110)(《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》國辦發[2013]110號) and the Guiding Opinions on Matters Concerning Dilution of Immediate Return by Initial Offering, Refinancing, and Material Asset Reorganization (CSRC Announcement [2015] No. 31)(《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), in order to protect the interests of minority investors, Zhejiang Shibao Company Limited* (hereinafter referred to as the “Company”) has conducted analysis of the impact on the current return as a result of the Non-public Issuance and proposed specific remedial measures for

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return. The controlling shareholder, the de facto controllers, the directors and senior management of the Company have made corresponding undertakings to take remedial measures for the diluted current return caused by the non-public issuance. The specific details are illustrated as follows:

I. IMPACT OF DILUTION ON THE CURRENT RETURN RESULTING FROM THE NON-PUBLIC ISSUANCE ON KEY FINANCIAL INDICATORS OF THE COMPANY

(I) Major Assumptions and Premises

Based on the following assumptions, the Company analyzed the impact of dilution on the current return resulting from the non-public issuance on the main financial indicators. Investors are advised to be especially cautious about the following assumptions which do not constitute any forecast and commitment matters. Investors should not make investment decisions accordingly and the Company does not bear the responsibility for compensation for losses arising from such decisions. The proposal on the non-public issuance of shares and the actual completion of the issuance will ultimately be subject to the approval of the China Securities Regulatory Committee of the People's Republic of China (hereinafter referred as to "CSRC"). The relevant assumptions are as follows:

1. Assuming that no significant changes take place in the Company's conditions such as macroeconomic environment, industrial policies and industry development;
2. Assuming that the non-public issuance is completed by 30 June 2023 (the completion time is only assuming time to estimate the dilution on the current return resulting from the non-public issuance and is ultimately subject to actual completion of the issuance);
3. Assuming that the number of shares to be issued will not exceed 236,893,391 shares (inclusive), and the final number of shares to be issued is subject to the approval of the CSRC;
4. When predicting the total share capital of the Company, only the impact of the non-public issuance of shares will be considered based on the total share capital before the non-public issuance of 789,644,637 shares, and the changes in the share capital caused by other factors will not be considered;

5. The impact of the use of the proceeds on the Company's production and operation and financial conditions (e.g., operating income, financial expenses, investment earnings, etc.) will not be considered in the estimation;
6. In predicting the Company's net assets, the impact of other factors other than proceeds, net profit, cash dividends and equity incentive plan on net assets will not be considered;
7. The Company's net profit attributable to owners of the parent company for the year 2021 was RMB34,156,300 and net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses was RMB1,609,200. In the absence of significant operational risks, the Company's profitability for the year 2022 and the year 2023 are at the same as those in the year 2021, respectively;
8. The above assumptions are solely made for the purpose of estimating the impact of dilution on the current return resulting from the non-public issuance on key financial indicators of the Company, and do not represent the Company's judgment on its operating conditions and trends for the year 2022 and the year 2023, nor does it constitute a profit forecast, and investors should not make investment decisions based on themselves.

(II) The Impact on Key Financial Indicators of the Company

Based on the above assumptions, the impact of dilution on the current return resulting from the non-public issuance on key financial indicators of the Company is as follows:

Item	Year 2023/31 December 2023		
	Year 2022/31 December 2022	Prior to the Issuance	After the Issuance
Total share capital (0'000 shares)	78,964.46	78,964.46	102,653.80
Net profit attributable to the shareholders of the listed company (RMB0'000)	3,415.63	3,415.63	3,415.63
Net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses (RMB0'000)	160.92	160.92	160.92
Net assets attributable to shareholders of ordinary shares of the Company at the beginning of the period (RMB0'000)	137,683.73	141,099.36	141,099.36
Net assets attributable to shareholders of ordinary shares of the Company at the end of the period (RMB0'000)	141,099.36	144,514.99	262,514.99
Total number of shares under the issuance (RMB0'000)	–	–	23,689.34
Total proceeds raised from the issuance (RMB0'000)	–	–	118,000.00
Number of months from the month following the issue month to the end of the year	–	–	6
Basic earnings per share (RMB)	0.04	0.04	0.03
Basic earnings per share (RMB), net of non-recurring gains or losses	0.002	0.002	0.002
Weighted average return on net asset	2.45%	2.39%	1.69%
Weighted average return on net assets after deducting non-recurring gains and losses	0.12%	0.11%	0.08%

Note 1: Basic earnings per share prior to the issuance = net profit attributable to the holders of the ordinary shares of the Company for the current period / total share capital prior to the issuance;

Note 2: Basic earnings per share after the issuance = net profit attributable to the holders of the ordinary shares of the Company for the current period / (total share capital prior to the issuance + number of new shares to be issued under the Issuance × number of months from the month following the issuance month to the end of the year / 12);

Note 3: Weighted average return on net assets prior to the issuance = net profit attributable to holders of the ordinary shares of the Company for the current period / (opening net assets attributable to the holders of the ordinary shares of the Company + net profit attributable to the holders of the ordinary shares of the Company for the current period / 2 – cash dividend for the current period × number of months from the month following the dividend distribution month to the end of the year / 12);

Note 4: Weighted average return on net assets after the issuance = net profit attributable to holders of the ordinary shares of the Company for the current period / (opening net assets attributable to the holders of the ordinary shares of the Company + net profit attributable to the holders of the ordinary shares of the Company for the current period / 2 – cash dividend for the current period × number of months from the month following the dividend distribution month to the end of the year / 12 + total proceeds raised from the issuance × number of months from the month following the Issuance month to the end of the year / 12)

According to the above table, with the increase in the share capital of the Company upon completion of the non-public issuance, if the Company's results do not increase to a corresponding extent upon completion of the issuance, the Company's basic earnings per share and other indicators will decline to a certain extent within a short term and the immediate returns to shareholders will have a certain degree of dilution.

II. RISK WARNING FOR THE DILUTION ON THE CURRENT RETURN AS A RESULT OF THE NON-PUBLIC ISSUANCE

Upon the completion of the non-public issuance, to a certain degree, the total share capital and net assets of the Company will increase, and the comprehensive capital strength of the Company will be enhanced. The Company will rationalize the proceeds to expand its production line and establish an R&D center, thereby expanding its scale of operation and enhancing its profitability. However, according to the above calculation, the issuance may result in a certain degree of decline in the Company's basic earnings per share and other indicators in the short term and a certain degree of the dilution on the current return to shareholders. The Company specially remind investors to invest rationally and pay attention to the risk of dilution of current return resulting from this non-public issuance.

At the same time, in the process of calculating the effects on dilution on the current return as a result of the issuance, the Company's assuming analysis of net profit attributable to owners of the parent company and net profit attributable to owners of the parent company after deducting non-recurring gains and losses do not constitute the profit forecast of the Company. Although the Company has formulated remedial measures in response to the risks for the dilution on current returns, such measures shall not be deemed as guarantee of the future profits of the Company. Investors shall not make investment decisions based on the above. The Company will not be liable for the losses suffered by investors due to the investment decisions made based on the above. Investors are advised to exercise caution.

III. THE NECESSITY AND REASONABLENESS OF THE FINANCING

(I) Necessity of the Investment Projects

1. To upgrade product structure and keep abreast of the direction of industry development

In recent years, with the gradual improvement of new energy vehicle manufacturing technology and market recognition, the domestic automobile motorization has witnessed rapid progress. The proportion of domestic new energy vehicle production has increased from less than 2% in 2015 to more than 20% in the first half of 2022. Meanwhile, the scale of domestic new energy vehicles is developing rapidly, with a compound growth rate of above 40% for new energy vehicle production from 2018 to 2021, which gradually changes the automotive steering product structure.

Specifically, from the passenger car sector, with the gradual improvement of the regulations on automobile energy-saving and emission reduction, the penetration of electric power steering system (EPS) has been basically completed, and there will be mainly the changes of market share of several technical paths and the penetration of the share of domestic independent brands in the coming period, which shows an expected further growth in share of R-EPS and DP-EPS; from the commercial vehicle sector, due to the inherent functional advantages of electric power including energy-saving and environmental protection, steering with speed and auto re-centering, the steering of commercial vehicles will gradually develop towards the direction of electro-hydraulic (loading large scenario) and electric (loading small scenario) power steering, and the penetration rate of intelligent electric power manual recirculating ball steering system and intelligent electro-hydraulic power recirculating ball steering system in the commercial vehicle sector will be further increased.

The production capacities of R-EPS, intelligent electric power manual recirculating ball steering system and intelligent electro-hydraulic power recirculating ball steering system possessed by the issuer currently fail to fully satisfy the demand of future large-scale orders. Therefore, the Company urgently needs to upgrade its existing production equipment conditions and production scale, so as to upgrade the product structure, enhance the Company's comprehensive competitiveness and lay a good foundation for its future development.

2. To improve the product lines of the Company and enhance customer adhesion and influence

The vehicle steering system consists of steering column, steering intermediate shaft, steering gear and other auxiliary parts, among which, the steering intermediate shaft connects the steering gear and the steering column; the steering column connects the steering wheel, which is a steering system product closer to the driver and its function, performance and noise directly affect the driving experience, setting higher demands on suppliers' research and development capability, production line equipment and process capability. The steering column contains mechanical steering column and electric steering column. The electric steering column is a high-end product in the steering column with rich functions, and its motorization attribute is conducive to the increase of intelligent functions, which is mainly used in high-end luxury models and fits the future development trend of motorization and intelligence.

In recent years, the Company's steering intermediate shafts, mechanical and electric steering columns have gradually realized industrialization, forming the overall supporting capacity of passenger car steering system, which is in line with the Company's development strategy of gradually expanding into the key automotive components connecting steering system integration and modularization. With the enrichment and perfection of the Company's product lines, on the one hand, it can effectively satisfy the customers' needs of diversification and modularized supply; on the other hand, it can give full play to and consolidate the Company's existing technical advantages and the cooperation advantages with automakers, improve customer adhesion, strengthen the Company's comprehensive competitiveness, so as to enhance the Company's overall influence and profitability.

Therefore, the Company urgently needs to expand the production capacity of steering columns and intermediate shafts and upgrade the production equipment to meet the downstream market demand.

3. To further enhance the Company's research and development and design strength

Since its establishment, the Company has always attached great importance to the research and development of automotive steering gears and other key components of steering systems, and has conducted in-depth theoretical research and accumulated extensive practical experience in this specialized field over the years. While actively developing new projects in parallel with customers, the Company emphasizes highly on the simultaneous research and development of technology, process and fully automated production equipment, and is actively working on the research and development and industrialization of the future steering technology.

The wire-controlled chassis is the “execution” cornerstone for the realization of automatic driving L3. Wire-controlled steering, as one of the key technologies of wire-controlled chassis, is at the stage of small-scale prototype. Therefore, under the general trend of automobile intelligence and electrification, the Company is keeping up with the development trend of wire-controlled chassis and constructing an automotive steering wire-control technology research and development center by upgrading and expanding the existing research and development center as well as increasing the investment in equipment research and development and professional supporting software. Based on the existing automotive electronics technology development capabilities, the Company will carry out vertical and horizontal technology research in the field of automotive intelligent driving, improve the technology research and development and innovation system, further improve the synchronous development and design capability with customers, so as to enhance the overall research and development level and technical strength of the Company and build up future automotive steering technology.

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The Company has always paid attention to the investment in technology research and development, and has possessed the relevant core technological capability required by the products to be manufactured under the Projects, including the related technology patents and exclusive technologies. It also possessed the abilities of developing the relevant products based upon those technologies. In addition, since its establishment, the Company has entered the procurement system of several well-known automobile brands. With years of technical accumulation and product development practice, the company has reached the technical indicators of mainstream automobile manufacturers in the field of automobile steering products, and has the ability to support traditional fuel vehicles, new energy vehicles and carry out synchronous development of complete vehicles with OEMs. Overall, they have laid solid foundation for the implementation of the Projects in terms of, amongst others, technological strength, development capabilities and subsequent promotion of products, and bulk production.

4. *The Company possessed ample internal and external resources*

The Company has focused on the automotive steering industry for more than 30 years. It owns a stable and well-experienced production management and sales team together with ample industry resources: the key members of the existing team have more than 10 years of experience in the automotive industry on average, possess all-round management skills in the areas of business operation, R&D, technological management and sales as well as rich operating experience, precisely keep abreast of the status quo and progress on industry development, and have served the Company for many years, ensuring a stable and harmonic work environment. The Company adheres to the business philosophy of “pragmatism and innovative”, constantly introduces advanced technology and production testing equipment, gathers domestic and foreign experts, technical talents and management elites, and implements the refined production and management mode. The Company carries out independent design and integrated innovation in the core assembly and testing production line to create an intelligent production line. In addition to the functions of online automatic assembly, online testing, online data storage, online data analysis and long-term data traceability, the production line also has the ability to conduct flexible production, and can realize rapid iteration of the production line with subsequent product upgrades. Moreover, the Company has abundant resources of suppliers.

With over 30 years of experience in OEM supply in automobile industry, the Company has good R&D and design advantages, stable product quality advantages, large-scale production advantages and rapid response to customer service advantages. By virtue of the above advantages, the Company has become a first-class supporting supplier of many reputable domestic and foreign automobile manufacturers, with diversified and international customer resources. The multi-level customer structure and domestic and foreign businesses help reduce the overall operating risk of the Company, and provide an important guarantee for the capacity digestion of the Company’s investment projects.

IV. THE RELATIONSHIP BETWEEN THE USE OF PROCEEDS AND THE EXISTING BUSINESSES, AS WELL AS THE COMPANY'S RESERVES IN TERMS OF TALENT, TECHNOLOGY AND MARKET ENGAGED IN THE INVESTMENT PROJECTS

(I) Relationship between the Investment Projects and the Company's Existing Business

The Company is currently engaged in automotive components and parts manufacturing industry. The Company is one of the leading automotive steering system manufacturers in China, mainly principally engaged in the R&D, design, manufacture and sale of steering system and other key components. The proceeds from the Issuance are intended to be invested into “the annual production of 600,000 automobile intelligent steering system technical transformation project”, “the automotive intelligent steering system and key components development project”, “the intelligent network connected automobile steer-by-wire technology research and development center project” and replenishment of working capital. The investment projects are still in the automotive components and parts manufacturing industry and is based on the development trend of the downstream automotive market, the expansion of the existing product categories and the further enhancement of the product structure and R&D capability. Upon completion of the Issuance, there will be no significant change in the scope of the Company's business and main business, and the Company's assets and business scale will be further expanded. In addition, its business areas will be expanded and its core competitiveness will be enhanced, which is in line with the Company's positioning and development strategy.

(II) The Company's Reserves in terms of Talent, Technology and Market Engaged in the Investment Projects

After years of standardized operation, the Company has established a perfect human resources management system and has an experienced management team and technical team. After years of technology R&D and accumulation, the Company has laid a good foundation for the implementation of the investment projects. The Company has developed a wide market and has a stable customer base, which has laid a solid foundation for the sales of the Company's investment projects from this non-public issuance. Therefore, the Company has highly competent personnel, technology and market accumulation and has the ability to implement the investment projects.

**V. MAIN MEASURES ADOPTED BY THE COMPANY AGAINST DILUTION ON
CURRENT RETURNS RESULTING FROM THE NON-PUBLIC ISSUANCE****(I) Momentum of the Company's Existing Business Segments in terms of Operating
Conditions**

The Company is currently engaged in automotive components and parts manufacturing industry. The Company is one of the leading automotive steering system manufacturers in China, principally engaged in the R&D, design, manufacture and sale of steering system and other components.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Company's operating revenue were approximately RMB982,370,400, RMB1,102,127,400, RMB1,177,915,800 and RMB554,052,600 respectively, showing a stable and increasing trend. Net profit attributable to owners of the parent company were approximately RMB-176,711,700, RMB40,846,000, RMB34,156,300 and RMB1,249,400 respectively, showing a fluctuating upward trend.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the Company's scale of operation have continued to expand and its profitability have been on an upward trend. With the completion and production of the investment projects, the Company's competitive advantage in the industry is expected to be further highlighted, which will help the Company gain a larger market share in the wave of intelligence, energy saving and new energy vehicles.

(II) Major Risks and Improvement Measures

The success of the automotive components manufacturing industry in which the Company operates is exposed to relatively greater influence by the macroeconomic cycles and national policies, and is subject to the risks relating to industry fluctuations. Products made by the Company are the key component for automobile, so should any problems in relation to product quality arise, the Company is liable to repair or replace products in question and shall bear the related costs incurred therefor, which makes the Company be subject to adverse effects on its brand, reputation, market expansion and operating results. As the automobile industry is developing at a fast pace, the requirements of automobiles in terms of intelligence, environmental protection, energy saving and safety are becoming higher. Should the Company cannot sustain technology innovation and new products to cater to the consistently upgrading requirements of automakers, the Company's market expansion and profitability would be subject to adverse effect. In addition, the Company is exposed to the risk relating to downward product price, the risk relating to price fluctuation of raw materials, the risk relating to higher concentration ratio of customer and the risk relating to higher proportion of accounts receivable.

In the face of above risks, the Company will continue to pay close attention to macroeconomic trends and changes in national policies as usual, and adjust its strategies and tactics as and when appropriate. The Company will continue to strengthen our production and operations management to ensure that high-quality products are provided to customers. In addition, the Company will continue to increase its technology R&D efforts to consolidate and further enhance its leading position in the industry. In conclusion, the Company will continue to enhance its comprehensive strength and core competitiveness through the aforementioned and other related measures in order to further enhance its market share, its sales and procurement-related negotiation capabilities, thereby reducing the Company's operating risks.

(III) The Adoption of Specific Measures on the Dilution on the Current Return as a Result of the Issuance of the Company

1. Accelerate the implementation of the investment project to achieve expected benefits

Recently, with the continued increase of downstream automobile market and the proportion of new energy vehicles, the market demand of automotive steering has also further boosted. As the progressive implementation of the investment project of the issuance, the existing production equipment, the scale of production and R&D strength of the Company will be enhanced, while better catering the market demand, operating results of the Company will be significantly improved, which can fill in to the dilution on the current return as a result of the issuance for the shareholders.

As a result, upon the proceeds of the issuance is available, the Company will actively allocate resources in all areas, work on the implementation of the investment projects and maximize the utilization efficiency of the proceeds, and accelerate the implementation of projects, so as to achieve the expected benefits as soon as possible and provide protection for the shareholders' return in the future years.

2. Actively expand the market and improve products competitiveness

The product sales of the Company are mainly in the domestic market, enabling the Company to become a Tier-1 OEM supplier among domestic and international automakers with good reputation. On the one hand, such high-quality customers had strong competitive market and stable demand for their products, which laid a strong foundation for the development of the Company's business; on the other hand, such customers were demanding in terms of design and quality of products with higher added value, ensuring the higher profit level of the Company. Recently, overseas markets development of the Company has also begun to show results.

In the future, based on maintaining existing customers, the Company will consistently step up efforts in capturing new customers, especially the high-quality customers, and actively develop the oversea markets. On the one hand, the Company will be able to strengthen its position in the automotive steering by building a wider business cooperation with the customers and improving the product sales; on the other hand, the Company will promote the development of the industry in the intelligence and innovation by constantly improving the competitiveness of its products and its own profit level.

3. Constantly improve the governance and enhance management of the Company

In accordance with requirement of relevant laws and regulations and normative documents, the Company has formulated a series of systems and rules, and has relatively well-established systems of general meetings, the board of directors and supervisory committee, to form a corporate governance structure with clear authorization and responsibilities, specific duties, and effective balances between organ of authority, decision-making body, supervisory body and management; the Company has established management system covering quality, safe production, internal control, marketing management and human resources, and adjusted the related structure taking into account of actual situation of the Company, with the purpose to set up efficient and independent organizational function organizations that compatible with the production and operation of the Company.

In the future, the Company will increase the introduction and cultivation of talents, and continue to enhance its organizational capabilities, further improving the corporate governance and the awareness of standard management, and strengthen the management of internal government and financial government, so as to enhance its standard operation and management level of the Company.

4. *Strengthen the supervision of proceeds and improve the efficiency of proceeds*

To regulate the use and management of proceeds of the Company and ensure the use of the proceeds to be standardized, safe and efficient, the Company has formulated Management Rules of Proceeds in accordance with the requirements of relevant law and regulations to standardize placement, use and management of proceeds and ensure the safety of the placement and use of the proceeds. Upon the completion of the Issuance, the proceeds shall be deposited into the special accounts designated by the board of directors for centralized management. The board of directors will continue to supervise the deposit and use of the proceeds, conduct regularly internal review for the proceeds and coordinate with regulatory banks and sponsor for inspection and supervision on the use of proceeds to ensure the reasonable and compliant use of proceeds and reasonably prevent the risks in relation to the use of proceeds.

5. *Enhance the building of talent team to boost vitality for development*

The Company has established an employee remuneration and evaluation system, which is in line with its operation and development. Meanwhile, the Company paid attention to skill training of employees and team building, so as to ensure that the personnel reserve of the Company met its development demands. In addition, the Company has established a flexible talent introduction and incentive policy to attract external excellent talents to join the Company. In the future, the Company will make ongoing improvements to the approaches of its performance appraisal, establish a more effective employment incentive and competition mechanism, formulate a more scientific and reasonable mechanism of talent recruitment and training that caters to actual needs, and fully mobilize the subjective initiative of employees, so as to inject continuous vitality for the subsequent development of the Company.

6. *Strictly implement the cash dividend policy and enhance the return for investors*

According to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution by Listed Companies issued by CSRC, the Company has formulated the Plan for Shareholders' Return (2022-2024), based on full consideration of the return on shareholders' investment and the future operation and development and combined with the actual situation of the Company. The formulation and perfection of the aforesaid system further clarifies the decision-making procedures and mechanism of dividend distribution and the specific proportion of bonus shares to be issued of the Company, which will effectively guarantee the reasonable investment return of all shareholders.

In the future, the Company will continue to strictly implement its dividend policy and optimize the investment return mechanism to ensure that the interests of its shareholders, especially the minority shareholders, can be protected.

VI. UNDERTAKINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER, DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

(I) Undertakings of All Directors and Senior Management of the Company to Take Remedial Measures for the Diluted Current Return Caused by the Non-public Issuance:

- “1. I hereby undertake not to transfer benefits to other entities or individuals with no consideration or under unfair terms, and shall not damage the Company’s interests in any other ways;
2. I hereby undertake to constrain the consumption behavior in relation to my work duty;
3. I hereby undertake not to use the Company’s assets for investments or consumption activities that are unrelated to the engagement and performance of my work duties;
4. I hereby undertake that the remuneration system formulated by the board of directors or the remuneration and evaluation committee will be linked with the implementation of the Company’s remedial measures in relation to the returns of the Company;
5. I hereby undertake that if the Company implements any share incentive plan in the future, the vesting terms shall be operated in line with the implementation of the Company’s remedial measures for the dilution of returns.

Upon the date of this undertaking, for any new regulatory measures issued by CSRC and the Shenzhen Stock Exchange in relation to the remedial measures and the undertakings that makes the above undertaking fails to meet such requirements, I hereby undertake that I shall make further undertaking(s) in accordance with those new requirements issued by CSRC and the Shenzhen Stock Exchange.

As one of responsible persons for taking the remedial measures, if I violate or refuse to perform the above undertaking, I agree to be subject to the punishment or other relevant regulatory measures against me by CSRC, the Shenzhen Stock Exchange or other security regulators in accordance with the relevant regulations and rules formulated or issued by them.”

- (II) Undertakings of the Controlling Shareholders and De Facto Controller of the Company to Take Remedial Measures for the Diluted Current Return Caused by the Non-public Issuance:

“The Company/I undertake not to interfere with the operation and management activities of the Company beyond their authorities or encroach on the interests of the Company, and effectively implement the remedial measures on dilution of current returns of the Company.

Upon the date of this undertaking, for any new regulatory measures issued by CSRC and the Shenzhen Stock Exchange in relation to the remedial measures and the undertakings that makes the relevant system of the Company and the Company’s/my undertakings fails to meet such requirements, the Company/I hereby undertake that we shall make further undertaking(s) in accordance with those requirements issued by CSRC and the Shenzhen Stock Exchange, and actively promote the revision of the Company’s system, so as to comply with the requirements of CSRC and the Shenzhen Stock Exchange.

As one of responsible persons for taking the remedial measures, if the Company/I violate or refuse to perform the above undertaking, the Company/I agree to be subject to the punishment or other relevant regulatory measures against it/me by CSRC, the Shenzhen Stock Exchange or other securities regulators in accordance with the relevant rules and regulations formulated or issued by them.”

Announcement is hereby given.

The Board of Directors of Zhengjiang Shibao Company Limited*

19 October 2022

* For identification purposes only

The following is the full text of the Shareholders return plan for the next three years (2022-2024). This document is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.



ZHEJIANG SHIBAO COMPANY LIMITED*

THE PLAN FOR SHAREHOLDERS' RETURN FOR THE NEXT THREE YEARS (2022-2024)

In order to further raise the Zhejiang Shibao Company Limited* (hereinafter referred to as the “Company”)’s attention towards the shareholders’ return and provide sustainable, stable and reasonable investment returns to Shareholders, the Company has formulated the Plan for Shareholders’ Return for the Next Three Years (2022-2024) (hereinafter referred to as the “Plan”) pursuant to the requirements of the Company Law, the Securities Law, the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies, the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution by Listed Companies and Articles of Association, after taking into account the actual operating conditions and the future needs for development of the Company. The details of the Plan are as follows:

I. CONSIDERATIONS IN THE FORMULATION OF THE PLAN

The Company is committed to sustainable development. It establishes sustainable, stable, scientific and foreseeable return plan and mechanism for its investors after taking into account factors including the actual operation and development of the Company, the cost of social capital as well as the financing conditions. The Company makes proactive, specific and systematic arrangement for the Company’s profit distribution to ensure the continuity and stability of its profit distribution policies.

II. PRINCIPLES FOR THE FORMULATION OF THE PLAN

Formulation of the Plan shall comply with the relevant laws and regulations as well as the relevant profit distribution requirements under the Articles of Association. The Company shall adhere to the principles of the reasonable investment returns to the shareholders and sustainable development of the Company in formulating a reasonable plan for shareholders’ return. Meanwhile, the Company manages to maintain a balance between short-term interests and long-term development of the Company to ensure the continuity and stability of the profit distribution policies.

* For identification purposes only

**III. THE PLAN FOR SHAREHOLDERS' RETURN FOR THE NEXT THREE YEARS
(2022-2024)**

- (I) Distribution method: for the next three years, the Company may distribute dividends in cash, in shares or in a combination of both cash and shares. The Company will give priority to dividend distribution in cash when the conditions for distribution of cash dividends are satisfied, i.e., the Company's profit for the year will be distributed as dividend in cash after making allocation to the statutory surplus reserve and surplus reserve. If the board of directors considers that, as a result of the rapid growth in the Company's operating income, the share price of the Company no longer matches the scale of the share capital of the Company, the Company may propose and implement a policy of profit distribution in the form of share dividends.
- (II) Distribution period: for the next three years, the Company, by principle, will have annual profit distribution when there is distributable profit. In case the board of directors of the Company fails to prepare a plan for the annual profit distribution, the reasons of non-distribution should be disclosed in periodic reports and the independent directors shall express independent opinions in this regard. Considering the annual operating results of the Company have not yet finalized and hence there is uncertainty in the amount of the distributable profit, the Company will not pay any interim dividends in principle.
- (III) Distribution proportion: the profit to be distributed by the Company shall not exceed the cumulative distributable profit. The profit distributed in cash in any accounting year shall not be lower than 20% of the distributable profit realized for the year.
- (IV) Varied cash dividends distribution policies: the board of directors of the Company should consider the following factors including the features of the industry in which the Company operates, the stage of development, the Company's business model, profit level and whether there is any arrangement for significant capital expenditures (excluding fund raising projects) etc., to distinguish the following conditions and propose varied cash dividends distribution policies according to the procedures as required under the Articles of Association:
1. if the Company is in a mature development stage without arrangements for significant capital expenditures, the minimum percentage of cash dividend in profit distribution shall be 80%;
 2. if the Company is in a mature development stage with arrangements for significant capital expenditures, the minimum percentage of cash dividend in profit distribution shall be 40%;

3. if the Company is in a growth development stage with arrangements for significant capital expenditures, the minimum percentage of cash dividend in profit distribution shall be 20%.

The board of directors of the Company shall formulate the detailed profit distribution plan according to the relevant requirements of the CSRC. The board of directors shall work out the profit distribution plan after taking full account of the detailed operating data, the Company's amount of profit, cash flow, development stage and the current capital requirements as well as the opinions of shareholders (particularly the public investors) and the independent directors, etc. Implementation of the profit distribution plan shall be conditional upon the approval of shareholders (including their proxies) holding more than half of voting rights present at the general meeting.

IV. THE PERIOD FOR FORMULATING THE PLAN AND RELEVANT DECISION-MAKING MECHANISM

- (I) The board of directors of the Company shall review the Plan once every three years and revise the Plan timely and reasonably after taking into account the market conditions and policy changes, ensuring its content complies with the relevant laws and regulations and the profit distribution policies as confirmed in the Articles of Association.
- (II) For the next three years, if there are adjustments to the Plan in the event of any changes in the external operating environment and the Company's own operating conditions, the revised shareholders' return plan shall comply with the relevant laws and regulations and the requirements of the Articles of Association.
- (III) In the event of any changes in the external operating environment and its own operating conditions that the Company needs to re-formulate or revise the shareholders' return plan according to the Articles of Association, the board of directors shall draft and formulate the relevant resolution and the independent directors shall express their opinions. The relevant resolution shall then be submitted to the general meeting after being approved by the board of directors and be passed by more than half of the voting rights held by shareholders (including their proxies) attending the general meeting; in the event that the Company revise the profit distribution policies as confirmed in the Articles of Association and re-formulate or revise the shareholders' return plan, the board of directors shall draft and formulate the relevant resolution which shall be submitted to the board of directors for approval only after being approved by the independent directors. The independent directors and the supervisory committee shall express their opinions and the relevant resolution will be submitted to the general meeting after being approved by the board of directors and be passed by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

V. OTHERS

Any matters not covered in the Plan shall be implemented in accordance with the provisions of the relevant laws, regulations and the Articles of Association. The interpretation to the Plan, so as its amendments, shall be vested to the board of directors and shall be effective from the date of approval at the Company's general meeting.

Board of Directors of Zhejiang Shibao Company Limited*

18 October 2022

* *For identification purposes only*

The full text of the Proposed Amendments to the Articles of Association is set out below.

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
1.	<p>Article 1 Zhejiang Shibao Company Limited (“Company”) is a joint stock limited company incorporated in the People’s Republic of China (“PRC”) pursuant to Company Law, Special Regulations and other relevant laws, administrative regulations and rules.</p> <p>The Company is approved by the document [Zhe Shang Shi [2004] No.37] Approval of Reform of Zhejiang Shibao Company Limited issued by the Corporation Listing Affairs Leading Team of Zhejiang Province and established by reforming Zhejiang Shibao Steering Gear Co., Ltd. (浙江世寶方向機有限公司). The Company registered with the Administration Bureau of Industry and Commerce of Zhejiang Province on 12 July 2004 and obtained a business licence. The registration number of the business licence of the Company is 3300001010738.</p> <p>The promoters of the Company are:</p> <p>Promoter 1: Zhejiang Shibao Holding Group Co., Ltd. (hereinafter referred to “Shibao Holding”)</p> <p>Address: No.1 Chezhan Road, Fotang Town, Yiwu Shi</p> <p>Legal representative: Zhang Shi Zhong</p> <p>Identity card number: 330782000101701</p>	<p>Article 1 Zhejiang Shibao Company Limited (“Company”) is a joint stock limited company incorporated in the People’s Republic of China (“PRC”) pursuant to Company Law, Special Regulations and other relevant laws, administrative regulations and rules.</p> <p>The Company is approved by the document [Zhe Shang Shi [2004] No.37] Approval of Reform of Zhejiang Shibao Company Limited issued by the Corporation Listing Affairs Leading Team of Zhejiang Province and established by reforming Zhejiang Shibao Steering Gear Co., Ltd. (浙江世寶方向機有限公司). The Company registered with the Administration Bureau of Industry and Commerce of Zhejiang Province on 12 July 2004 and obtained a business licence. The unified social credit code of the Company is 913300001476445210.</p> <p>The promoters of the Company are:</p> <p>Promoter 1: Zhejiang Shibao Holding Group Co., Ltd. (hereinafter referred to “Shibao Holding”)</p> <p>Address: No.1 Chezhan Road, Fotang Town, Yiwu Shi</p> <p>Legal representative: Zhang Shi Zhong</p> <p>Unified social credit code: 9133078275193535XK</p>
2.	<p>Article 5 The Company is a joint stock limited company which has perpetual existence.</p>	<p>Article 5 The Company is a joint stock limited company which has perpetual existence.</p> <p>The Company shall establish Communist Party of China (“CPC”) organization and conduct Party-related activities in accordance with the provisions in the Constitution of the CPC. The Company shall provide necessary conditions for the activities of the Party organization.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
3.	<p>Article 12 The business scope of the Company is subject to the items as approved by the authority responsible for the registration of companies.</p> <p>The scope of business of the Company: manufacture and sales of automotive components, sales of metal materials, mechanical and electrical products as well as electronic products. There is one branch; Place of business: No.2290 Hehuanan Street, Choujiang Avenue, Yiwu City, Zhejiang Province; Scope of business: manufacture and sales of automotive components, sales of metal materials, mechanical and electrical products as well as electronic products. (Items subject to approval by laws shall not be carried out unless with the approval of relevant authorities)</p>	<p>Article 12 The business scope of the Company is subject to the items as approved by the authority responsible for the registration of companies.</p> <p>The scope of business of the Company: manufacture and sales of automotive components, sales of metal materials, mechanical and electrical products as well as electronic products. There is one branch: Sales Branch of Zhejiang Shibao Company Limited; Place of business: No.2290 Hehuanan Street, Choujiang Avenue, Yiwu City, Zhejiang Province; Scope of business: auto steering gear assembly sales; retail of electronic products, automobiles (sedan car excluded). (Those involving licenses or special approval shall be operated with valid certificates)</p>
4.	<p>Article 21 Where the total number of shares stated in the proposal for the issuance of H Shares and Domestic Shares respectively, such shares shall be fully subscribed for at one time at their respective offerings. If the shares cannot be fully subscribed for all at one time due to special circumstances, the shares may, subject to the approval of CSRC, be issued on separate tranches.</p> <p>Where the confirmed shares under the issuance proposal of the Company are not fully subscribed, the Company shall not issue new shares not authorised under such issuance proposal. Where the Company needs to adjust its issuance proposal, it is subject to a resolution passed at a general meeting, an approval from the company approval authority authorised by the State Council and a submission to CSRC for approval.</p> <p>Subject to not in breach of the Listing Rules, the interval period between the raise of capital by issuing H Shares and last issue of the Company may be less than twelve (12) months.</p>	<p>Article 21 Where the total number of shares stated in the proposal for the issuance of H Shares and Domestic Shares respectively, such shares shall be fully subscribed for at one time at their respective offerings. If the shares cannot be fully subscribed for all at one time due to special circumstances, the shares may, subject to the approval of CSRC, be issued on separate tranches.</p> <p>Where the confirmed shares under the issuance proposal of the Company are not fully subscribed, the Company shall not issue new shares not authorised under such issuance proposal. Where the Company needs to adjust its issuance proposal, it is subject to a resolution passed at a general meeting, an approval from the company approval authority authorised by the State Council and a submission to CSRC for approval.</p> <p>Subject to not in breach of the Listing Rules, the interval period between the raise of capital by issuing H Shares and last issue of the Company may be less than twelve (12) months.</p> <p>The domestic shares issued by the Company shall be collectively deposited with the China Securities Depository and Clearing Corporation Limited, whereas the overseas listed foreign shares issued by the Company shall be deposited in accordance with the requirement under article 43 of the Articles of Association.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
5.	<p>Article 23 The Company may, based on its operating and development needs, approve to increase its share capital in accordance with the relevant regulations of its Articles of Association.</p> <p>The Company may increase its share capital in the following ways:</p> <p>(1) by offering new shares for subscription to unspecified investors;</p> <p>(2) by placing new shares to its existing shareholders;</p> <p>(3) by issuing bonus shares to its existing shareholders;or</p> <p>(4) by any other means which is permitted by laws and administrative regulations.</p> <p>Where the Company issues new shares to raise capital, the Company shall, after the approval in according to the provisions of the Company's Articles of Association, handle in according to the procedures prescribed by the relevant laws and administrative regulations of the State.</p>	<p>Article 23 The Company may, based on its operating and development needs, approve to increase its share capital pursuant to the laws and regulations and resolutions made at shareholders' general meetings, respectively.</p> <p>The Company may increase its share capital in the following ways:</p> <p>(1) public offering of shares;</p> <p>(2) non-public offering of shares;</p> <p>(3) by placing new shares to its existing shareholders;</p> <p>(4) by issuing bonus shares to its existing shareholders;</p> <p>(5) conversion of funds in the capital reserve to share capital;</p> <p>(6) by any other means which is regulated by laws and administrative regulations and approved by China Securities Regulatory Commission.</p> <p>Where the Company issues new shares to raise capital, the Company shall, after the approval in according to the provisions of the Company's Articles of Association, handle in according to the procedures prescribed by the relevant laws and administrative regulations of the State.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
6.	<p>Article 28 Share of the Company may be repurchased by the Company in accordance with the laws, administrative regulations, departmental rules and provisions of the Articles of Association under the following circumstances:</p> <p>(1) to reduce the registered capital of the Company;</p> <p>(2) to merge with other companies holding the Company's shares;</p> <p>(3) to offer shares to the staffs of the Company as incentive;</p> <p>(4) to repurchase of shares at the request of shareholders against resolutions of merger or division of the Company approved at the Company's general meetings;</p> <p>(5) other circumstances as permitted by the laws and administrative regulations.</p> <p>Where share of the Company is repurchased for the reasons of the aforesaid items (1) to (3), it shall be approved at the general meeting of the Company.</p> <p>Where share of the Company is repurchased in accordance with item (1) of this article, the relevant share shall be cancelled within ten (10) days after the date of repurchase; where share of the Company is repurchased in accordance with item (2) or item (4) of this article, it shall be transferred or cancelled within six (6) months after the date of repurchase.</p>	<p>Article 28 The Company may not repurchase the shares of the Company, except in any of the following situations:</p> <p>(1) to reduce the registered capital of the Company;</p> <p>(2) to merge with other companies holding the Company's shares;</p> <p>(3) the shares are used for the employee share scheme or equity incentives;</p> <p>(4) to repurchase of shares at the request of shareholders against resolutions of merger or division of the Company approved at the Company's general meetings;</p> <p>(5) the shares are used for conversion of convertible corporate bonds issued by the Company;</p> <p>(6) any necessary action is taken to protect the value of the Company and shareholders' interests.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>Where share of the Company is repurchased in accordance with item (3) of this article, it shall not exceed 5% of the total issued shares of the Company; the repurchased share shall be transferred to the staffs of the Company within one (1) year.</p>	<p>Where share of the Company is repurchased for the reasons of the aforesaid items (1) and (2), it shall be approved at the general meeting of the Company. If the Company repurchases its own shares under the circumstances set out in items (3), (5) and (6) of the preceding paragraph, resolutions related thereto shall be adopted at the meeting of board of directors with more than two-thirds of the directors attending in accordance with the Articles of Association or as authorized in the shareholders' general meeting.</p> <p>Where share of the Company is repurchased in accordance with item (1) of this article, the relevant share shall be cancelled within ten (10) days after the date of repurchase; where share of the Company is repurchased in accordance with item (2) or item (4) of this article, it shall be transferred or cancelled within six (6) months after the date of repurchase.</p> <p>Where share of the Company is repurchased in accordance with items (3), (5) and (6) of this article, the aggregate number of shares of the Company held by itself shall not exceed 10% of the total issued shares of the Company, and the shares so repurchased shall be transferred or cancelled within three (3) years.</p>
7.	<p>Article 29 The Company may repurchase shares of the Company with approval from the relevant regulatory authority of the State in any of the following ways:</p> <p>(1) make a repurchase offer to all shareholders for repurchase on a pro-rata basis;</p> <p>(2) through open trading in the stock exchange;</p> <p>(3) repurchased by agreement outside the stock exchange.</p>	<p>Article 29 The Company may repurchase shares of the Company with approval from the relevant regulatory authority of the State in any of the following ways:</p> <p>(1) make a repurchase offer to all shareholders for repurchase on a pro-rata basis;</p> <p>(2) through open trading in the stock exchange;</p> <p>(3) repurchased by agreement outside the stock exchange.</p> <p>The Company shall perform its information disclosure obligation according to the requirements of securities regulatory authorities of the place where the Company's shares are listed in repurchasing its own shares. Unless otherwise stipulated by laws and regulations, where the Company acquires its shares pursuant to clauses (3), (5) and (6) of paragraph 1 of article 28 of the Articles of Association, it shall be conducted through open centralized trading.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
8.	<p>Article 36 Where directors, supervisors, senior managerial officers and shareholders holding 5% or more of the total share capital of the Company sell their shares within six (6) months after their purchases or purchase within six (6) months after selling their shares, the yield thereupon shall be possessed by the Company and the board of directors shall withdraw all their yield. Where a securities company, as underwriter, purchases all the unsold shares and therefore exceeds five per cent (5%) or more of the total share capital of the Company, it is exempt from the six (6) months time restriction when it sells the shares.</p> <p>Where the board of directors fails to enforce the provisions of the aforsaid paragraph, shareholders have the right to ask the board of directors to enforce it within thirty (30) days. Where the board of directors fails to enforce it within the aforesaid time limit, shareholders shall in their own names be entitled to file a suit to the People's Court in the interests of the Company.</p> <p>Where the board of directors fails to enforce the paragraph 1, the responsible directors shall bear joint liability according to the law.</p>	<p>Article 36 Where directors, supervisors, senior managerial officers and shareholders holding 5% or more of the total share capital of the Company sell their shares or other securities of an equity nature within six (6) months after their purchases or purchase within six (6) months after selling their shares, the yield thereupon shall be possessed by the Company and the board of directors shall withdraw all their yield. Where a securities company, as underwriter, purchases all the unsold shares and therefore exceeds five per cent (5%) or more of the total share capital of the Company, it is exempt from the six (6) months time restriction when it sells the shares, and other circumstances stipulated by the CSRC shall be exempted.</p> <p>The above-mentioned shares or other equity securities held by directors, supervisors, senior management, or natural person shareholders include shares or other equity securities held by their spouse, parents, children and through other people's accounts.</p> <p>Where the board of directors fails to enforce the paragraph 1, shareholders have the right to ask the board of directors to enforce it within thirty (30) days. Where the board of directors fails to enforce it within the aforesaid time limit, shareholders shall in their own names be entitled to file a suit to the People's Court in the interests of the Company.</p> <p>Where the board of directors fails to enforce the paragraph 1, the responsible directors shall bear joint liability according to the law.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
9.	<p>Article 37 No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to any person acquiring or intending to acquire the shares of the Company. The person acquiring the shares of the Company aforesaid shall include the person who undertakes, directly or indirectly, obligations for the purpose of purchase of shares of the Company.</p> <p>No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to reduce or release the obligations of the said person undertaking such obligations.</p> <p>This article shall not apply to the situations as mentioned in article 39 of this chapter.</p>	<p>Article 37 No financial assistance shall be provided by the Company and its subsidiaries (including associated entities of the Company) to any person acquiring or intending to acquire the shares of the Company by way of a gift, advance, guarantee, compensation, loans or otherwise. The person acquiring the shares of the Company aforesaid shall include the person who undertakes, directly or indirectly, obligations for the purpose of purchase of shares of the Company.</p> <p>No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to reduce or release the obligations of the said person undertaking such obligations.</p> <p>This article shall not apply to the situations as mentioned in article 39 of this chapter.</p>
10.	<p>Article 43 The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authority of the State Council and overseas securities regulatory organisations, maintain the register of shareholders for overseas listed foreign shares in foreign countries and appoint an overseas agent to manage such register. The original register of shareholders for H Shares shall be maintained in Hong Kong.</p>	<p>Article 43 The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authority of the State Council and overseas securities regulatory organisations, maintain the register of shareholders for overseas listed foreign shares in foreign countries and appoint an overseas agent to manage such register. The original register of shareholders for H Shares shall be maintained in Hong Kong, which shall be available for shareholders' inspection.</p>
11.	<p>Article 47 Changes in the register of shareholders due to the transfer of shares should not be made within thirty (30) days before the general meeting or five (5) days before the record date for the Company's distribution of dividends.</p>	<p>Article 47 If the laws, regulations, normative documents, securities regulatory authorities and exchanges in the place where the shares of the Company are listed have requirements during the period of suspending the registration of share transfer, such requirements shall be followed.</p>
12.	<p>Article 48 In the event that the Company convenes a general meeting, distributes dividends, enters into liquidation or carries out other activities necessary for the ascertainment of shareholding, the board of directors shall fix a day for ascertainment of the shareholding and those shareholders who remain on the register of shareholders upon the close of such day shall be the shareholders of the Company.</p>	<p>Article 48 In the event that the Company convenes a general meeting, distributes dividends, enters into liquidation or carries out other activities necessary for the ascertainment of shareholding, the board of directors or the convener of the shareholders' general meeting shall decide the equity registration date. Shareholders whose names appear on the register at the close of trading on the equity registration date shall be the shareholders enjoying relevant rights and interests.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
13.	<p>Article 54 The ordinary shareholders of the Company shall enjoy the following rights:</p> <p>(1) to receive dividends and other distributions in proportion to the number of shares held by him;</p> <p>(2) to attend or appoint a proxy to attend general meetings and to vote thereat;</p> <p>(3) to supervise business management of the Company and to raise suggestions or inquiries;</p> <p>(4) to transfer the shares held by him in accordance with the requirements of the laws, administrative regulations and the Articles of Association; and</p> <p>(5) to obtain relevant information according to the provisions of the Articles of Association, including:</p> <p>1. to receive a copy of the Articles of Association upon payment of the cost thereof;</p> <p>2. to inspect and copy upon payment of reasonable charges:</p> <p>(1) all parts of the register of shareholders;</p> <p>(2) the following personal information of the directors, supervisors, general managers, deputy general managers and other senior managerial officers:</p>	<p>Article 54 The ordinary shareholders of the Company shall enjoy the following rights:</p> <p>(1) to receive dividends and other distributions in proportion to the number of shares held by him;</p> <p>(2) to file a petition according to laws, convene, hold and attend or appoint a proxy to attend general meetings and to vote thereat;</p> <p>(3) to supervise business management of the Company and to raise suggestions or inquiries;</p> <p>(4) to transfer, bestow or pledge the shares held by him in accordance with the requirements of the laws, administrative regulations and the Articles of Association;</p> <p>(5) to obtain relevant information according to the provisions of the Articles of Association, including:</p> <p>1. to receive a copy of the Articles of Association upon payment of the cost thereof;</p> <p>2. to inspect and copy upon payment of reasonable charges:</p> <p>(1) all parts of the register of shareholders;</p> <p>(2) the following personal information of the directors, supervisors, general managers, deputy general managers and other senior managerial officers:</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>(a) present and former name and alias;</p> <p>(b) principal address (residential);</p> <p>(c) nationality;</p> <p>(d) primary and all other part-time occupations and duties;</p> <p>(e) identification documents and their numbers;</p> <p>(3) the state of the Company's share capital;</p> <p>(4) a report showing the total nominal value, number, and highest and lowest prices of each class of shares repurchased by the Company since the end of the last accounting year, and the aggregate expenses paid by the Company for the purpose; and</p> <p>(5) minutes of general meetings;</p> <p>(6) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him;and</p> <p>(7) other rights conferred by the laws, administrative regulations and the Articles of Association.</p> <p>The Company shall not exercise any right to freeze or otherwise damage the rights attached to any shares directly or indirectly held by any person only on the ground that the said person has not disclosed his equity to the Company.</p>	<p>(a) present and former name and alias;</p> <p>(b) principal address (residential);</p> <p>(c) nationality;</p> <p>(d) primary and all other part-time occupations and duties;</p> <p>(e) identification documents and their numbers;</p> <p>(3) the state of the Company's share capital;</p> <p>(4) a report showing the total nominal value, number, and highest and lowest prices of each class of shares repurchased by the Company since the end of the last accounting year, and the aggregate expenses paid by the Company for the purpose; and</p> <p>(5) minutes of general meetings;</p> <p>(6) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him;</p> <p>(7) to inquire the Articles of Association, registers of shareholders, stubs of company bonds, the minutes of shareholders' meetings, resolutions of the board meetings, resolutions of the meetings of the supervisory committee and the financial accounting reports;</p> <p>(8) with respect to shareholders who vote against any resolution adopted at the general meeting on the merger or demerger of the Company, the right to demand the Company to acquire the shares held by them;</p> <p>(9) other rights conferred by the laws, administrative regulations and the Articles of Association.</p> <p>The Company shall not exercise any right to freeze or otherwise damage the rights attached to any shares directly or indirectly held by any person only on the ground that the said person has not disclosed his equity to the Company.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
14.	<p>Article 58 The Company's ordinary shareholders shall undertake the following obligations:</p> <p>(1) to comply with the Articles of Association;</p> <p>(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;</p> <p>(3) not to divest the shares other than as provided by laws or administrative regulations;</p> <p>(4) not to abuse their shareholders' right to prejudice the interests of the Company or other shareholders; not to abuse the independence of the Company as a legal person and the limited liabilities of shareholders to prejudice the interests of creditors of the Company;</p> <p>Shareholders of the Company who abuse their rights as shareholders and cause losses to the Company or other shareholders shall be liable to compensation under the laws.</p> <p>Shareholders of the Company who abuse the independence of the Company as a legal person and the limited liabilities of shareholders to evade repayment of debts and cause material damage to the interests of its creditors shall be jointly and severally held liable to the Company's debts.</p> <p>(5) other obligations imposed by laws, administrative regulations and the Articles of Association.</p> <p>Except for the terms agreed by the share subscriber at the time of share subscription, a shareholder shall not be liable for any subsequent increase of capital.</p>	<p>Article 58 The Company's ordinary shareholders shall undertake the following obligations:</p> <p>(1) to comply with the Articles of Association, administrative regulations and the Articles of Association;</p> <p>(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;</p> <p>(3) not to divest the shares other than as provided by laws or administrative regulations;</p> <p>(4) not to abuse their shareholders' right to prejudice the interests of the Company or other shareholders; not to abuse the independence of the Company as a legal person and the limited liabilities of shareholders to prejudice the interests of creditors of the Company;</p> <p>Shareholders of the Company who abuse their rights as shareholders and cause losses to the Company or other shareholders shall be liable to compensation under the laws.</p> <p>Shareholders of the Company who abuse the independence of the Company as a legal person and the limited liabilities of shareholders to evade repayment of debts and cause material damage to the interests of its creditors shall be jointly and severally held liable to the Company's debts.</p> <p>(5) other obligations imposed by laws, administrative regulations and the Articles of Association.</p> <p>Except for the terms agreed by the share subscriber at the time of share subscription, a shareholder shall not be liable for any subsequent increase of capital.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
15.	<p>Article 63 The general meeting is the body conferring authority on the Company, which exercises the following powers in accordance with laws:</p> <p>(1) to decide on the Company's operational policies and investment plans;</p> <p>(2) to elect or remove the directors, and decide on matters relating to the remuneration of directors;</p> <p>(3) to elect and replace supervisors not representing the staffs, and to decide remuneration of the relevant supervisor;</p> <p>(4) to consider and approve reports of the board of directors;</p> <p>(5) to consider and approve reports of the supervisory committee;</p> <p>(6) to consider and approve the Company's proposed annual financial budget and final accounts;</p> <p>(7) to consider and approve the Company's proposals for profit distribution and recovery of losses;</p> <p>(8) to resolve on the increase or reduction in the Company's registered capital;</p> <p>(9) to resolve on issues such as material external investment, merger, division, dissolution and liquidation of the Company;</p> <p>(10) to resolve on the issue of bonds of the Company;</p> <p>(11) to resolve on the appointment, removal or cessation of appointment of the Company's accountants firm;</p> <p>(12) to amend the Articles of Association of the Company;</p>	<p>Article 63 The general meeting is the body conferring authority on the Company, which exercises the following powers in accordance with laws:</p> <p>(1) to decide on the Company's operational policies and investment plans;</p> <p>(2) to elect or remove the directors, and decide on matters relating to the remuneration of directors;</p> <p>(3) to elect and replace supervisors not representing the staffs, and to decide remuneration of the relevant supervisor;</p> <p>(4) to consider and approve reports of the board of directors;</p> <p>(5) to consider and approve reports of the supervisory committee;</p> <p>(6) to consider and approve the Company's proposed annual financial budget and final accounts;</p> <p>(7) to consider and approve the Company's proposals for profit distribution and recovery of losses;</p> <p>(8) to resolve on the increase or reduction in the Company's registered capital;</p> <p>(9) to resolve on issues such as material external investment, merger, division, dissolution and liquidation of the Company;</p> <p>(10) to resolve on the issue of bonds of the Company;</p> <p>(11) to resolve on the appointment, removal or cessation of appointment of the Company's accountants firm;</p> <p>(12) to amend the Articles of Association of the Company;</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>(13) to consider motions of shareholders representing three per cent (3%) (inclusive) or more of the voting shares in the Company;</p> <p>(14) to consider and approve particulars of external guarantee prescribed in article 64;</p> <p>(15) to consider and approve material purchase or sale of assets of the Company within 1 year with value over 30% of the total assets;</p> <p>(16) to consider and approve change in use of proceeds;</p> <p>(17) to consider and approve share option scheme;</p> <p>(18) to resolve on any other matters at general meetings as required under the laws, administrative regulations and this Articles of Association.</p> <p>Proceedings which, in accordance with the provisions of the laws, administrative regulations and the Articles of Association, are required to be approved by the general meetings must only be considered at such meetings so as to protect the decision-making power of the shareholders of the Company on such proceedings. Under necessary and reasonable circumstances, the general meeting may authorize the board of directors to decide, as permitted by laws, regulations and the Articles of Association and within the scope of authorization granted by the general meeting, specific issues relating to proceedings which cannot be decided at the general meeting.</p>	<p>(13) to consider motions of shareholders representing three per cent (3%) (inclusive) or more of the voting shares in the Company;</p> <p>(14) to consider and approve particulars of external guarantee prescribed in article 64;</p> <p>(15) to consider and approve material purchase or sale of assets of the Company within 1 year with value over 30% of the total assets;</p> <p>(16) to consider and approve change in use of proceeds;</p> <p>(17) to consider and approve share option scheme and employee shareholding plan;</p> <p>(18) to resolve on any other matters at general meetings as required under the laws, administrative regulations and this Articles of Association.</p> <p>Proceedings which, in accordance with the provisions of the laws, administrative regulations and the Articles of Association, are required to be approved by the general meetings must only be considered at such meetings so as to protect the decision-making power of the shareholders of the Company on such proceedings. Under necessary and reasonable circumstances, the general meeting may authorize the board of directors to decide, as permitted by laws, regulations and the Articles of Association and within the scope of authorization granted by the general meeting, specific issues relating to proceedings which cannot be decided at the general meeting.</p> <p>Unless otherwise under special emergency circumstances, the Company shall not, without the approval of the shareholders' general meetings, enter into any contract with any person other than directors, manager and other senior management members for authorization of management of all or substantial part of business of the Company to such persons.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
16.	<p>Article 64 Following particulars of external guarantee issued by the Company and its controlling subsidiaries require consideration and approval by the general meeting:</p> <p>(1) value of a single guarantee exceeds ten per cent (10%) of the latest audited net assets of the Company;</p> <p>(2) guarantee provided to the guarantee objective whose asset liability ratio exceeds seventy per cent (70%);</p> <p>(3) any guarantee after the value of total external guarantee of the Company and its controlling subsidiaries that reaches fifty per cent (50%) or more of the latest audited net assets of the Company;</p> <p>(4) any guarantee after the value of total external guarantee of the Company that reaches thirty per cent (30%) or more of the latest audited total assets of the Company;</p> <p>(5) guarantee provided to shareholders, the de facto controller and their respective related party;</p> <p>(6) other guarantees prescribed by laws, regulations, listing rules of relevant stock exchange or the Articles of Association which require approval by shareholders meeting.</p>	<p>Article 64 Following particulars of external guarantee issued by the Company require consideration and approval by the general meeting:</p> <p>(1) value of a single guarantee exceeds ten per cent (10%) of the latest audited net assets of the Company;</p> <p>(2) guarantee provided to the guarantee objective whose asset liability ratio exceeds seventy per cent (70%);</p> <p>(3) any guarantee after the value of total external guarantee of the Company and its controlling subsidiaries that exceeds fifty per cent (50%) of the latest audited net assets of the Company;</p> <p>(4) any guarantee after the value of total external guarantee of the Company that exceeds thirty per cent (30%) of the latest audited total assets of the Company;</p> <p>(5) any guarantee provided by the Company in excess of 30% of its latest audited total assets within one year;</p> <p>(6) guarantee provided to shareholders, the de facto controller and their respective related party;</p> <p>(7) other guarantees prescribed by laws, regulations, listing rules of relevant stock exchange or the Articles of Association which require approval by shareholders meeting.</p> <p>For provision of guarantee to a related person by the Company, in addition to the deliberation and approval by more than half of all non-related directors, it is also subject to the deliberation and approval by more than two-thirds of the non-related directors present at the board meeting, and shall be submitted to the general meeting for deliberation. Where the Company provides guarantees to its controlling shareholders, de facto controllers and their related persons, the controlling shareholders, de facto controllers and their related persons shall provide counter-guarantee.</p> <p>Those who fail to provide a guarantee in accordance with the prescribed procedures or within their scope of licenses shall be held accountable in accordance with the Company's relevant rules and bear corresponding legal liabilities.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
17.	<p>Article 66 General meetings shall be divided into annual general meetings and extraordinary general meetings. The general meetings shall be convened by the board of directors. Annual general meetings are held once every year within six (6) months after the last financial year end.</p> <p>The board of directors shall convene an extraordinary general meeting within two (2) months upon the occurrence of the following events:</p> <p>(1) when the number of directors falls below the number required by the Company Law or two-thirds (2/3) of the number required by the Articles of Association;</p> <p>(2) when the losses of the Company which have not been made up amount to one-third (1/3) of the total share capital of the Company;</p> <p>(3) upon written requisition of shareholders holding ten per cent (10%) (inclusive) or more of the issued shares carrying voting rights (excluding the voting rights for proxies) for the convening of an extraordinary general meeting;</p> <p>(4) when the board of directors deems necessary or the supervisory committee proposes to convene the same; and</p> <p>(5) other circumstances as required under the laws, administrative regulations, departmental rules or the Articles of Association.</p> <p>The number of shares as referred in (3) above is calculated based on the shares being held by the relevant shareholders at the time when they give a written requisition.</p> <p>If the Company fails to convene the general meeting within the above period, it shall report to the authority appointed by CSRC in the location of the Company and the stock exchange where its shares are listed, and shall give the reasons and make an announcement in respect thereof.</p>	<p>Article 66 General meetings shall be divided into annual general meetings and extraordinary general meetings. The general meetings shall be convened by the board of directors. Annual general meetings are held once every year within six (6) months after the last financial year end.</p> <p>The board of directors shall convene an extraordinary general meeting within two (2) months following the date of such circumstances:</p> <p>(1) when the number of directors falls below the number required by the Company Law or two-thirds (2/3) of the number required by the Articles of Association;</p> <p>(2) when the losses of the Company which have not been made up amount to one-third (1/3) of the total share capital of the Company;</p> <p>(3) upon written requisition of shareholders holding ten per cent (10%) (inclusive) or more of the issued shares carrying voting rights (excluding the voting rights for proxies) for the convening of an extraordinary general meeting;</p> <p>(4) when the board of directors deems necessary or the supervisory committee proposes to convene the same; and</p> <p>(5) other circumstances as required under the laws, administrative regulations, departmental rules or the Articles of Association.</p> <p>The number of shares as referred in (3) above is calculated based on the shares being held by the relevant shareholders at the time when they give a written requisition.</p> <p>If the Company fails to convene the general meeting within the above period, it shall report to the authority appointed by CSRC in the location of the Company and the stock exchange where its shares are listed, and shall give the reasons and make an announcement in respect thereof.</p> <p>The general meeting shall set up a venue and be held in the form of an on-site meeting. The Company will also provide online voting to facilitate shareholders' participation in general meetings. Shareholders who participate in the general meeting of shareholders through the above methods shall be deemed to have attended.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
18.	<p>Article 69 Where the shareholders ask for the convention of extraordinary general meeting or class meeting, shall be handled in accordance to the following procedures:</p> <p>Shareholders singly or jointly hold more than ten per cent (10%) of the shares of the Company have the right to propose in written form the convention of extraordinary general meeting to the board of directors. The board of directors shall, in accordance with the provision in laws, administrative regulations and the Articles of Association, make feedback in written form concerning the approval or disapproval of convention of extraordinary general meeting within ten (10) days as of its acknowledgement.</p> <p>Where the board of directors approves the convention of extraordinary general meeting, a notice shall be issued thereof within five (5) days after the board resolution be passed and the alteration of the original proposal in the notice shall have the approval of the concerned shareholders.</p> <p>Where the board of directors disapproves the convention of extraordinary general meeting or fails to issue the feedback within ten (10) days after receive request, the shareholders singly or jointly holding more than ten per cent (10%) of the Company's share is entitled to propose in written form the convention of extraordinary general meeting to supervisory committee.</p> <p>Where supervisory committee approves the convention of extraordinary general meeting, a notice shall be issued thereof within five (5) days and the alteration of the original proposal in the notice shall have the approval of the concerned shareholders.</p>	<p>Article 69 Where the shareholders ask for the convention of extraordinary general meeting or class meeting, shall be handled in accordance to the following procedures:</p> <p>Shareholders singly or jointly hold more than ten per cent (10%) of the shares of the Company have the right to propose in written form the convention of extraordinary general meeting to the board of directors. The board of directors shall, in accordance with the provision in laws, administrative regulations and the Articles of Association, make feedback in written form concerning the approval or disapproval of convention of extraordinary general meeting within ten (10) days as of its acknowledgement.</p> <p>Where the board of directors approves the convention of extraordinary general meeting, a notice shall be issued thereof within five (5) days after the board resolution be passed and the alteration of the original proposal in the notice shall have the approval of the concerned shareholders.</p> <p>Where the board of directors disapproves the convention of extraordinary general meeting or fails to issue the feedback within ten (10) days after receive request, the shareholders singly or jointly holding more than ten per cent (10%) of the Company's share is entitled to propose in written form the convention of extraordinary general meeting to supervisory committee.</p> <p>Where supervisory committee approves the convention of extraordinary general meeting, a notice shall be issued thereof within five (5) days and the alteration of the original proposal in the notice shall have the approval of the concerned shareholders.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>Where supervisory committee fails to issue the notice within the prescribed time limit, it shall be deemed refused to convene and preside over the general meeting and the shareholders singly or jointly holding more than ten per cent (10%) of the Company's share for more than ninety (90) consecutive days may convene and preside over the meeting themselves. Procedures of convening such general meeting shall follow the same as procedures of convening such meeting by the board of directors as far as possible.</p> <p>Where the general meeting is convened by shareholders themselves due to the aforesaid failure of the board of directors and supervisory committee, the reasonable cost incurred for the meeting shall be borne by the Company and be deducted from the amount payable to the directors and supervisors responsible for the neglect of duty.</p>	<p>Where supervisory committee fails to issue the notice within the prescribed time limit, it shall be deemed refused to convene and preside over the general meeting and the shareholders singly or jointly holding more than ten per cent (10%) of the Company's share for more than ninety (90) consecutive days may convene and preside over the meeting themselves.</p> <p>Where the general meeting is convened by shareholders themselves due to the aforesaid failure of the board of directors and supervisory committee, the reasonable cost incurred for the meeting shall be borne by the Company and be deducted from the amount payable to the directors and supervisors responsible for the neglect of duty.</p>
19.	<p>Article 70 Where supervisory committee decides to convene the general meeting themselves, they shall notify the board of directors in written form and make filing with the local branches designated by CSRC and the stock exchange.</p> <p>Where the general meeting is convened and presided by shareholders themselves, prior to the announcement of the member resolutions, shareholding of the shareholders convening the meeting shall not be less than ten per cent (10%).</p> <p>Where the general meeting is convened and presided by shareholders themselves, the shareholders convening the meeting shall, at the time of issue the notice of general meeting and announcement of shareholders resolutions, submit relevant documentary proof to the local branches designated by CSRC and the stock exchange.</p>	<p>Article 70 Where supervisory committee or shareholders decide to convene the general meeting themselves, they shall notify the board of directors in written form and make filing with the stock exchange.</p> <p>Where the general meeting is convened and presided by shareholders themselves, prior to the announcement of the member resolutions, shareholding of the shareholders convening the meeting shall not be less than ten per cent (10%).</p> <p>Where the general meeting is convened and presided by the supervisory committee or shareholders themselves, the supervisory committee or the shareholders convening the meeting shall, at the time of issue the notice of general meeting and announcement of shareholders resolutions, submit relevant documentary proof to the stock exchange.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
20.	<p>Article 73 To convene an annual general meeting of the Company, the Company shall notify all shareholders by way of announcement at least 20 clear business days prior to the meeting and shall also notify the shareholders for H Shares in writing; in the case of an extraordinary general meeting, the Company shall notify all shareholders by way of announcement at least 15 clear business days prior to the meeting and shall also notify the shareholders for H Shares in writing. When the Company convenes a meeting of class shareholders, the period of notice and the notification method shall be as specified in Article 131 of the Articles of Association.</p> <p>In calculating the notice period, the date of issue of notice and date of meeting shall be excluded. The aforementioned business day shall mean the date on which the Hong Kong Stock Exchange opens for securities trading.</p>	<p>Article 73 To convene an annual general meeting of the Company, the Company shall issue a written notice 20 days prior to the meeting informing all the registered shareholders of the matters to be considered at and the date and place of the meeting; in the case of an extraordinary general meeting, the Company shall issue a written notice 15 days prior to the meeting informing all the registered shareholders of the matters to be considered at and the date and place of the meeting. When the Company convenes a meeting of class shareholders, the period of notice and the notification method shall be as specified in Article 131 of the Articles of Association.</p> <p>In calculating the notice period, the date of issue of notice and date of meeting shall be excluded.</p>
21.	<p>Article 76 A notice of general meeting shall meet the following requirements:</p> <p>(1) be in writing;</p> <p>(2) stock registration date of the shareholder having the right to attend the general meeting;</p> <p>(3) specify the venue, date and time of the meeting;</p> <p>(4) state the matters to be discussed at the meeting;</p> <p>(5) provide such information and explanation as are necessary for the shareholders to make an informed decision on issues to be discussed; including (but not limited to) where a proposal is made to amalgamate the Company with another, repurchase shares of the Company, reorganise the share capital, or restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract, if any, and the cause and effect of such proposal must be properly explained;</p>	<p>Article 76 A notice of general meeting shall meet the following requirements:</p> <p>(1) be in writing;</p> <p>(2) stock registration date of the shareholder having the right to attend the general meeting;</p> <p>(3) specify the venue, date and time of the meeting;</p> <p>(4) state the matters to be discussed at the meeting;</p> <p>(5) provide such information and explanation as are necessary for the shareholders to make an informed decision on issues to be discussed; including (but not limited to) where a proposal is made to amalgamate the Company with another, repurchase shares of the Company, reorganise the share capital, or restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract, if any, and the cause and effect of such proposal must be properly explained;</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>(6) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager, deputy general manager or other senior managerial officer in the matters to be discussed and the effect of the matters to be discussed on such director, supervisor, manager, or other senior managerial officer in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;</p> <p>(7) contain the full text of any special resolution to be proposed at the meeting;</p> <p>(8) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;</p> <p>(9) specify the time and place for lodging the proxy form for the relevant meeting;</p> <p>(10) name and phone number of the permanent associated person;</p> <p>(11) where the general meeting adopts means of internet, it shall, in the notice, set out expressly the voting time and procedures of internet means.</p> <p>The time gap between the stock registration date and the date of meeting shall be no more than seven working days. Once the stock registration date is fixed, it shall not be altered.</p>	<p>(6) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager, deputy general manager or other senior managerial officer in the matters to be discussed and the effect of the matters to be discussed on such director, supervisor, manager, or other senior managerial officer in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;</p> <p>(7) contain the full text of any special resolution to be proposed at the meeting;</p> <p>(8) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;</p> <p>(9) specify the time and place for lodging the proxy form for the relevant meeting;</p> <p>(10) name and phone number of the permanent associated person;</p> <p>(11) where the general meeting adopts means of internet, it shall, in the notice, set out expressly the voting time and procedures of internet means.</p> <p>The notice and supplementary notice of the general meeting shall fully and completely cover all the details of the proposals to be disclosed at the meeting. In the event that independent directors are required to express their opinions on the matters to be discussed, a notice of shareholders' general meeting or a supplementary notice shall, when given, also disclose the opinions and reasons of the independent directors.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>The written reply from shareholders who intend to attend general meetings shall include the following contents:</p> <p>(1) the time of receipt of written notice of general meeting;</p> <p>(2) the content of the written notice of general meeting is complete and clear;</p> <p>(3) whether oneself will attend in person; if not, whether a proxy is appointed to attend; and</p> <p>(4) the name and telephone number of oneself or his proxy.</p>	<p>Voting at the shareholders' general meeting on the network or otherwise shall commence not earlier than 3:00 p.m. on the day prior to an on-site shareholders' general meeting, and not later than 9:30 a.m. on the day of the on-site shareholders' general meeting, and shall finish not earlier than 3:00 p.m. on the day of closing the on-site shareholders' general meeting.</p> <p>The convener shall inform each shareholder of the annual general meeting not less than 21 days before the meeting, and shall inform each shareholder of the extraordinary general meeting not less than 14 days before the meeting. In determining the commencement date and the period, the Company shall not include the date on which the meeting is held.</p> <p>The time gap between the stock registration date and the date of meeting shall be no more than seven working days. Once the stock registration date is fixed, it shall not be altered.</p> <p>The written reply from shareholders who intend to attend general meetings shall include the following contents:</p> <p>(1) the time of receipt of written notice of general meeting;</p> <p>(2) the content of the written notice of general meeting is complete and clear;</p> <p>(3) whether oneself will attend in person; if not, whether a proxy is appointed to attend; and</p> <p>(4) the name and telephone number of oneself or his proxy.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
22.	<p>Article 80 The instrument appointing a proxy must be in writing under the hand of the shareholder or his attorney duly authorised in writing. For a legal person shareholder, the instrument must be affixed with the common seal or signed by its director, or an attorney or a person duly authorised.</p> <p>The power of attorney of shareholders appointing others to attend general meetings shall set out the following contents:</p> <p>(1) name of the proxy;</p> <p>(2) whether the proxy has voting right or not;</p> <p>(3) indications to vote for, vote against or abstain from voting on every matter to be included in the agenda for consideration at the general meeting;</p> <p>(4) date of issue of the power of attorney and the effective date;</p> <p>(5) the signature (or seal with a chop) of the appointor or his proxy appointed in writing. For a legal person shareholder, the power of attorney shall be sealed with the chop of the corporate body, or signed by its director or by the proxy duly appointed.</p>	<p>Article 80 The instrument appointing a proxy must be in writing under the hand of the shareholder, and shall be signed by the appointor or a chop shall be affixed. For a legal person shareholder, the instrument must be affixed with the common seal.</p> <p>The power of attorney of shareholders appointing others to attend general meetings shall set out the following contents:</p> <p>(1) name of the proxy;</p> <p>(2) whether the proxy has voting right or not;</p> <p>(3) indications to vote for, vote against or abstain from voting on every matter to be included in the agenda for consideration at the general meeting;</p> <p>(4) date of issue of the power of attorney and the effective date;</p> <p>(5) the signature (or seal with a chop) of the appointor. For a legal person shareholder, the power of attorney shall be sealed with the chop of the corporate body.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
23.	<p>Article 92 The general meeting shall be convened and presided by chairman of the board of directors; where the chairman of the board of directors is unable to attend the meeting, it shall be convened and presided by the vice chairman of the board of directors; where both chairman and vice chairman of the board of directors are unable to attend the meeting, chairman of the board of directors may appoint a director to convene and preside the meeting; where chairman of the meeting is not appointed, the shareholders attend the meeting may elect one person to preside as chairman of the meeting; where the shareholders fail to elect chairman of the meeting for any reason, the shareholder (including the proxy) attending the meeting holding the largest number of shares carrying voting rights shall preside as chairman of the meeting.</p> <p>The general meeting convened by supervisory committee on its own, shall be presided by the chairman of supervisory committee. Where the chairman of supervisory committee is unable or fails to carry out the duty, a supervisor may be jointly elected by more than half (1/2) of the total number of supervisors to preside the general meeting.</p>	<p>Article 92 The general meeting shall be convened and presided by chairman of the board of directors; where the chairman of the board of directors is unable to attend the meeting, it shall be convened and presided by the vice chairman of the board of directors; where both chairman and vice chairman of the board of directors are unable to attend the meeting, a director may be jointly elected by more than half of the total number of directors to preside the meeting; where chairman of the meeting is not appointed, the shareholders attend the meeting may elect one person to preside as chairman of the meeting; where the shareholders fail to elect chairman of the meeting for any reason, the shareholder (including the proxy) attending the meeting holding the largest number of shares carrying voting rights shall preside as chairman of the meeting.</p> <p>The general meeting convened by supervisory committee on its own, shall be presided by the chairman of supervisory committee. Where the chairman of supervisory committee is unable or fails to carry out the duty, a supervisor may be jointly elected by more than half (1/2) of the total number of supervisors to preside the general meeting.</p>
24.	<p>Article 98 The convener shall guarantee the authenticity, preciseness and intactness of the meeting minutes. The attending directors, supervisors, board secretary, convener or his representative and the chairman of the meeting shall sign on the meeting minutes, which shall be kept for no less than ten (10) years together with the attendance sheet of shareholders, proxy forms and valid information of voting via internet and other means.</p>	<p>Article 98 The convener shall guarantee the authenticity, preciseness and intactness of the meeting minutes. The attending directors, supervisors, board secretary, convener or his representative and the chairman of the meeting shall sign on the meeting minutes, which shall be kept for no less than ten (10) years together with the attendance sheet of shareholders, proxy forms and valid information of voting via internet and other means.</p>
25.	<p>Article 100 Resolutions of general meetings shall be classified as ordinary resolutions and special resolutions.</p> <p>An ordinary resolution of a general meeting shall be passed by more than one half (1/2) of the voting rights held by the shareholders (including their proxies) who are present at the general meeting.</p> <p>A special resolution of a general meeting shall be passed by more than two-thirds (2/3) of the voting rights held by the shareholders (including their proxies) who are present at the general meeting.</p>	<p>Article 100 Resolutions of general meetings shall be classified as ordinary resolutions and special resolutions.</p> <p>An ordinary resolution of a general meeting shall be passed by more than one half of the voting rights held by the shareholders (including their proxies) who are present at the general meeting.</p> <p>A special resolution of a general meeting shall be passed by more than two-thirds (2/3) of the voting rights held by the shareholders (including their proxies) who are present at the general meeting.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
26.	<p>Article 101 When shareholders (including proxies) vote in the general meeting, and exercise the voting rights by the number of voting shares they represent, each share shall have one (1) vote. However, shares of the Company held by the Company shall have no voting rights.</p> <p>Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.</p> <p>When material issues affecting the interests of medium and minority investors are considered at the shareholders' general meeting, the votes of medium and minority investors shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.</p> <p>The soliciting of voting rights can be carried out by board of directors, independent directors, and the shareholders who comply with relevant regulations. Information including the specific voting preference shall be fully provided to the shareholders for whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not impose any minimum shareholding limitation for soliciting voting rights.</p>	<p>Article 101 When shareholders (including proxies) vote in the general meeting, and exercise the voting rights by the number of voting shares they represent, each share shall have one (1) vote. However, shares of the Company held by the Company shall have no voting rights and shall not be counted in the total number of voting shares held by shareholders present at the general meeting.</p> <p>If a shareholder buys voting shares in violation of Article 63(1) and (2) of the Securities Law, the shares in excess of the prescribed percentage shall not be exercised for a period of thirty-six months after the purchase and shall not in the total number of voting shares held by shareholders present at the general meeting.</p> <p>Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.</p> <p>When material issues affecting the interests of medium and minority investors are considered at the shareholders' general meeting, the votes of medium and minority investors shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.</p> <p>The soliciting of voting rights can be carried out by board of directors, independent directors, holding 1% shares with voting rights or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC. Information including the specific voting preference shall be fully provided to the shareholders for whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. Except for statutory conditions, the Company shall not impose any minimum shareholding limitation for soliciting voting rights.</p>

APPENDIX V PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
27.	<p>Article 106 The following matters shall be passed by ordinary resolution at a general meeting:</p> <p>(1) the working reports of the board of directors and the supervisory committee;</p> <p>(2) plans for profit distribution and for making up of losses proposed by the board of directors;</p> <p>(3) appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment;</p> <p>(4) annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company;and</p> <p>(5) other matters other than those shall be passed by special resolution at a general meeting as stipulated by laws, administrative regulations or this Articles of Association.</p>	<p>Article 106 The following matters shall be passed by ordinary resolution at a general meeting:</p> <p>(1) the working reports of the board of directors and the supervisory committee;</p> <p>(2) plans for profit distribution and for making up of losses proposed by the board of directors;</p> <p>(3) appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment;</p> <p>(4) annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company;</p> <p>(5) annual reports of the Company;</p> <p>(6) other matters other than those shall be passed by special resolution at a general meeting as stipulated by laws, administrative regulations or this Articles of Association.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
28.	<p>Article 107 The following matters shall be passed by special resolution at a general meeting:</p> <p>(1) increase or decrease of share capital, and issue of any class of shares, warrants and other similar securities by the Company;</p> <p>(2) issue of the Company's debentures;</p> <p>(3) split, merger, dissolution and winding up of the Company;</p> <p>(4) amendments to the Articles of Association;</p> <p>(5) where the purchase or dispose of major assets or the amount of guarantee within one (1) year exceed thirty per cent (30%) of the Company's total assets;</p> <p>(6) equity incentive scheme of the Company;</p> <p>(7) as stipulated by laws, administrative regulations or this Articles of Association, and other matters deemed by ordinary resolution as having significant potential influence on the Company and thereby need to be approved by special resolution.</p>	<p>Article 107 The following matters shall be passed by special resolution at a general meeting:</p> <p>(1) increase or decrease of share capital, and issue of any class of shares, warrants and other similar securities by the Company;</p> <p>(2) issue of the Company's debentures;</p> <p>(3) split, spin-off, merger, dissolution and winding up of the Company;</p> <p>(4) amendments to the Articles of Association;</p> <p>(5) where the purchase or dispose of major assets or the amount of guarantee within one (1) year exceed thirty per cent (30%) of the Company's total assets;</p> <p>(6) equity incentive scheme of the Company;</p> <p>(7) as stipulated by laws, administrative regulations or this Articles of Association, and other matters deemed by ordinary resolution as having significant potential influence on the Company and thereby need to be approved by special resolution.</p>
29.	<p>Article 112 Except for cumulative voting, the general meeting shall take vote on all the proposals item by item. Where different proposals remain for the same proceedings, they shall be voted in accordance with the time sequence of the submission of proposal. The general meeting shall not postpone or refuse the voting unless such the general meeting is adjourned or no resolution can be resolved due to force majeure or other special events.</p>	<p>Article 112 Except for cumulative voting, the general meeting shall take vote on all the proposals item by item. Where different proposals remain for the same proceedings, they shall be voted in accordance with the time sequence of the submission of proposal. The general meeting shall not postpone or refuse the voting unless such the general meeting is adjourned or no resolution can be resolved due to force majeure or other special events.</p> <p>The same voting right can only be exercised by one of on-site voting, online voting or other means of voting. If the same voting right is exercised repeatedly, the first voting result shall prevail.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
30.	<p>Article 114 Prior to voting on the proposed resolution, two (2) shareholder representatives shall be chosen to participate in vote counting and vote scrutinizing. Where the shareholder is interested in the discussing proposal to be discussed, such shareholder and his proxy shall not involve in vote counting and vote scrutinizing.</p> <p>When voting on resolutions at general meeting, the lawyer, shareholder representative and supervisor representative shall be jointly responsible for vote counting, vote scrutinizing and the announcement of the voting result in the meeting and the voting result which shall be recorded in the meeting minutes.</p> <p>Shareholder or his proxy who vote via internet or other means has the right to check his voting result via the corresponding voting system.</p>	<p>Article 114 Prior to voting on the proposed resolution, two (2) shareholder representatives shall be chosen to participate in vote counting and vote scrutinizing. Where the shareholder is related to the discussing proposal to be discussed, such shareholder and his proxy shall not involve in vote counting and vote scrutinizing.</p> <p>When voting on resolutions at general meeting, the lawyer, shareholder representative and supervisor representative shall be jointly responsible for vote counting, vote scrutinizing and the announcement of the voting result in the meeting and the voting result which shall be recorded in the meeting minutes.</p> <p>Shareholder or his proxy who vote via internet or other means has the right to check his voting result via the corresponding voting system.</p>
31.	<p>Article 131 To convene the meeting of class shareholders, the Company shall, at least 20 clear business days prior to the annual general meeting (excluding the date of issue of notice and date of meeting) or at least 15 clear business days prior to the extraordinary general meeting (excluding the date of issue of notice and date of meeting), give registered holders of shares of the class, written notice, specifying matters to be considered at the meeting and the date and place of the meeting. The aforementioned business day shall mean the date on which the Hong Kong Stock Exchange opens for securities trading.</p>	<p>Article 131 To convene the meeting of class shareholders, the Company shall, at least 20 days prior to the annual general meeting (excluding the date of issue of notice and date of meeting) or at least 15 days prior to the extraordinary general meeting (excluding the date of issue of notice and date of meeting), give registered holders of shares of the class, written notice, specifying matters to be considered at the meeting and the date and place of the meeting.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
32.	<p>Article 134 Where a director is a natural person, he shall not act as a director in one of the following circumstances:</p> <p>(1) without civil capacity or with limited civil capacity;</p> <p>(2) having been sentenced to prison for the following crimes, and completion of the sentence being less than five (5) years ago: corruption, bribery, embezzlement, misappropriation of property or sabotage of social economic order; or having been deprived of political rights as a result of a criminal conviction, and completion of such sanction being less than five (5) years ago;</p> <p>(3) having served as a director, the factory chief, or the chief executive officer of a company or enterprises which underwent bankruptcy liquidation as a result of mismanagement, and being personally responsible for such bankruptcy, and completion of the bankruptcy liquidation being less than three (3) years ago;</p> <p>(4) having served as the legal representative of a company or enterprise whose business licence was revoked or ordered closed due to its violation of law, and being personally responsible for such revocation or order, and such revocation or order occurring less than three (3) years ago;</p> <p>(5) in default of personal debt of a significant amount;</p> <p>(6) having been given a punishment by CSRC as prohibition from access to securities market which has not expired;</p> <p>(7) not being natural person;</p> <p>(8) other proceedings as prescribed in laws, administrative regulations and departmental rules.</p> <p>The election and appointment of directors in contravention to the provisions thereof, the election, appointment or employment shall be null and void. Where situation contemplated in this article exists during the term of service of the director, he shall be dismissed by the Company.</p>	<p>Article 134 Where a director is a natural person, he shall not act as a director in one of the following circumstances:</p> <p>(1) without civil capacity or with limited civil capacity;</p> <p>(2) having been sentenced to prison for the following crimes, and completion of the sentence being less than five (5) years ago: corruption, bribery, embezzlement, misappropriation of property or sabotage of social economic order; or having been deprived of political rights as a result of a criminal conviction, and completion of such sanction being less than five (5) years ago;</p> <p>(3) having served as a director, the factory chief, or the chief executive officer of a company or enterprises which underwent bankruptcy liquidation as a result of mismanagement, and being personally responsible for such bankruptcy, and completion of the bankruptcy liquidation being less than three (3) years ago;</p> <p>(4) having served as the legal representative of a company or enterprise whose business licence was revoked or ordered closed due to its violation of law, and being personally responsible for such revocation or order, and such revocation or order occurring less than three (3) years ago;</p> <p>(5) in default of personal debt of a significant amount;</p> <p>(6) having been taken a measure by CSRC as prohibition from access to securities market which has not expired;</p> <p>(7) not being natural person;</p> <p>(8) other proceedings as prescribed in laws, administrative regulations and departmental rules.</p> <p>The election and appointment of directors in contravention to the provisions thereof, the election, appointment or employment shall be null and void. Where situation contemplated in this article exists during the term of service of the director, he shall be dismissed by the Company.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
33.	<p>Article 135 The directors shall be elected by the general meeting for a term of three (3) years, and upon expiry of their terms, shall be eligible for re-election.</p> <p>The minimum length of the period during which notice to the Company of the intention to propose a person for election as director and during which notice to the Company by such person of his willingness to be elected shall be given at least seven (7) days.</p> <p>The period for lodgment of the above-mentioned notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.</p> <p>The chairman and vice chairman shall be elected and removed by more than half (1/2) of all the directors. The term of the chairman and vice chairman shall be three (3) years, and upon expiry of their terms, shall be eligible for re-election.</p> <p>Subject to the compliance with the applicable laws and regulations, the Company in general meeting shall have power by ordinary resolution to remove any director (including managing director or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office.</p>	<p>Article 135 The directors shall be elected or replaced by the general meeting for a term of three (3) years and may be removed before the expiry of the term by the general meeting, and upon expiry of their terms, shall be eligible for re-election.</p> <p>The minimum length of the period during which notice to the Company of the intention to propose a person for election as director and during which notice to the Company by such person of his willingness to be elected shall be given at least seven (7) days.</p> <p>The period for lodgment of the above-mentioned notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.</p> <p>The chairman and vice chairman shall be elected and removed by more than half (1/2) of all the directors. The term of the chairman and vice chairman shall be three (3) years, and upon expiry of their terms, shall be eligible for re-election.</p> <p>Subject to the compliance with the applicable laws and regulations, the Company in general meeting shall have power by ordinary resolution to remove any director (including managing director or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>Prior to the expiry of the terms of the directors, the general meeting shall re-elect the directors in a timely manner.</p> <p>If re-election is not timely conducted upon the expiry of a director, prior to the assumption of his office by the elected director, the original director shall continue to discharge his duties as a director and exercise the rights of a director in accordance with the laws, administrative regulations and the Articles of Association.</p> <p>Any person appointed by the board of directors to fill casual vacancy of the board of directors or newly appointed as a director shall have a term to expire at the next annual general meeting, and such person shall be eligible for re-election.</p> <p>General manager, deputy general manager or other senior executives may serve concurrently as executive director, however, the concurrently directors acted by general manager, deputy general manager or other senior manager as well as by staff representatives shall not exceed half (1/2) of the total number of board of directors.</p> <p>At the re-election of the board of directors, external directors (who are not employees of the Company) shall account for more than half (1/2) of the numbers of the board of directors, while independent directors (who do not have any relationship with the shareholders of the Company and are not employees of the Company) shall account for more than one-third (1/3) or above of the numbers of the board of directors, and, at minimum, one independent director is an accounting professional.</p> <p>Independent directors of the Company shall have necessary professional knowledge and experiences, and shall be able to represent the benefits of all shareholders.</p>	<p>Prior to the expiry of the terms of the directors, the general meeting shall re-elect the directors in a timely manner.</p> <p>The term of office of a director shall commence from his accession till the expiry of the term of the current session of the board of directors. If re-election is not timely conducted upon the expiry of a director, prior to the assumption of his office by the elected director, the original director shall continue to discharge his duties as a director and exercise the rights of a director in accordance with the laws, administrative regulations and the Articles of Association.</p> <p>Any person appointed by the board of directors to fill casual vacancy of the board of directors or newly appointed as a director shall have a term to expire at the next annual general meeting, and such person shall be eligible for re-election.</p> <p>General manager, deputy general manager or other senior executives may serve concurrently as executive director, however, the concurrently directors acted by general manager, deputy general manager or other senior manager as well as by staff representatives shall not exceed half (1/2) of the total number of board of directors.</p> <p>At the re-election of the board of directors, external directors (who are not employees of the Company) shall account for more than half (1/2) of the numbers of the board of directors, while independent directors (who do not have any relationship with the shareholders of the Company and are not employees of the Company) shall account for more than one-third (1/3) or above of the numbers of the board of directors, and, at minimum, one independent director is an accounting professional.</p> <p>Independent directors of the Company shall have necessary professional knowledge and experiences, and shall be able to represent the benefits of all shareholders.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>Independent directors shall have sufficient time and requisite knowledge and capabilities to perform their duties. The Company shall be responsible to provide necessary information to the independent directors to perform their duties. Independent directors may directly report to, among others, general meetings, the securities regulatory authority of the State Council and other relevant authorities.</p> <p>A director is not required to hold any shares of the Company.</p>	<p>Independent directors shall have sufficient time and requisite knowledge and capabilities to perform their duties. The Company shall be responsible to provide necessary information to the independent directors to perform their duties. Independent directors may directly report to, among others, general meetings, the securities regulatory authority of the State Council and other relevant authorities.</p> <p>A director is not required to hold any shares of the Company.</p>
34.	<p>Article 143 The independent directors shall act in accordance with laws, administrative regulations and departmental rules.</p>	<p>Article 143 The independent directors shall act in accordance with laws, administrative regulations and the relevant provisions of CSRC and stock exchanges.</p>
35.	<p>Article 144 The Company shall establish the board of directors.</p> <p>The board of directors shall have nine (9) directors. The board of directors shall have one (1) chairman and two (2) deputy chairman. External director shall constitute half (1/2) or more of the total number of the board of directors, and independent director shall constitute one-third (1/3) or more of the total number of the board of directors.</p> <p>Where necessary, the board of directors may establish special committee of strategy and auditing etc.. Each special committee is responsible to the board of directors and shall report the review result within their scope of responsibilities to the board of directors and submit proposal to the board of directors for consideration and approval.</p>	<p>Article 144 The Company shall establish the board of directors.</p> <p>The board of directors shall have nine (9) directors. The board of directors shall have one (1) chairman and two (2) deputy chairman. External director shall constitute half (1/2) or more of the total number of the board of directors, and independent director shall constitute one-third (1/3) or more of the total number of the board of directors.</p> <p>The board of directors of the Company shall establish the audit committee, nomination committee, remuneration committee and relevant special committee like strategic committee when necessary. The special committees shall be responsible to the board of directors, and perform their duties in accordance with these Articles and the authorization of the board of directors, and their proposals shall be submitted to the board of directors for consideration and decision. All member of the special committees shall be directors, among which, the majority of the members of the audit committee, the nomination committee and the remuneration committee shall be independent directors who also convene the meeting of such committees. The chairman of the audit committee shall be an accounting professional in accordance with the rules of stock exchanges. The board of directors is responsible for formulating working rules to standardize the operation of the special committees.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
36.	<p>Article 145 The board of directors shall be accountable to the general meeting, and shall exercise the following powers:</p> <p>(1) to convene general meeting, and to report their works to the general meeting;</p> <p>(2) to implement resolutions of the general meeting;</p> <p>(3) to decide the Company's operation plans and investment plans;</p> <p>(4) to formulate the Company's annual financial budgets and final accounts;</p> <p>(5) to formulate the Company's plans for profit distribution and making up of losses;</p> <p>(6) to formulate any plan for increase or reduction in the Company's registered capital and the issue of the Company's debentures;</p> <p>(7) to formulate the Company's material external investment plans, material acquisition or disposal plans, and merger, demerger and dissolution plans;</p> <p>(8) deciding, within the authorization scope of the general meeting, proceedings such as external investment, purchase or sale of assets, pledge of asset, external guarantee, entrusting finance and connected transaction;</p> <p>(9) to decide the Company's internal management structure;</p> <p>(10) to appoint or remove the Company's general manager, and pursuant to the nomination of the general manager, to appoint or remove the Company's deputy general manager, person in charge of finance or board secretary, and to decide their remuneration;</p> <p>(11) to formulate the basic management system of the Company;</p> <p>(12) to formulate amendments to the Articles of Association of the Company;</p>	<p>Article 145 The board of directors shall be accountable to the general meeting, and shall exercise the following powers:</p> <p>(1) to convene general meeting, and to report their works to the general meeting;</p> <p>(2) to implement resolutions of the general meeting;</p> <p>(3) to decide the Company's operation plans and investment plans;</p> <p>(4) to formulate the Company's annual financial budgets and final accounts;</p> <p>(5) to formulate the Company's plans for profit distribution and making up of losses;</p> <p>(6) to formulate any plan for increase or reduction in the Company's registered capital, the issue of debentures or other securities, and listing;</p> <p>(7) to formulate the Company's material acquisition, share repurchase, or merger, demerger, dissolution and change in corporate form plans;</p> <p>(8) deciding, within the authorization scope of the general meeting, proceedings such as external investment, purchase or sale of assets, pledge of asset, external guarantee, entrusting finance, connected transaction and external donation;</p> <p>(9) to decide the Company's internal management structure;</p> <p>(10) to determine the appointment or removal of the Company's general manager, board secretary, and the other senior officers and decide on their remunerations, rewards and penalties; and pursuant to the nomination of the general manager, to determine the appointment or removal of the Company's deputy general manager, person in charge of finance and other senior officers, and decide their remuneration, rewards and penalties;</p> <p>(11) to formulate the basic management system of the Company;</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>(13) to manage the information disclosure of the Company;</p> <p>(14) to propose to the general meeting to employ or replace the accounting firm for the Company's audit;</p> <p>(15) to hear the work report from the Company's general manager and inspect the work of the general manager;</p> <p>(16) other authorities authorized by laws, administrative regulations, departmental rules, the Articles of Association or the general meeting.</p> <p>Matters outside the scope of authorization of general meetings shall be proposed to a general meeting for discussion and approval.</p> <p>Except for resolutions in respect of clauses (6), (7) and (12) above which require the agreement by voting of over two-thirds (2/3) of the directors, the others shall be subject to the agreement by voting of over half (1/2) of the directors.</p> <p>Unless under the exceptional circumstances specified in Note 1 of Appendix 3 to Listing Rules or by Hong Kong Stock Exchange, a director shall not vote on any resolutions of the board of directors approving any contract or arrangement or any other proposal in which he or his associates (as defined in the Listing Rules) has a material interest; nor shall he be counted in the quorum present at the meeting.</p> <p>If any director has connection with the enterprise involved in the resolution made at a board meeting, the said director shall not vote on the said resolution for himself or on behalf of other directors. The board meeting may be held when more than half (1/2) of the non-connected directors attend the meeting. The resolution of the board meeting shall be passed by more than half (1/2) of the non-connected directors. If the number of non-connected directors attending the meeting is less than three (3), the matter shall be submitted to the general meeting for discussion and approval.</p>	<p>(12) to formulate amendments to the Articles of Association of the Company;</p> <p>(13) to manage the information disclosure of the Company;</p> <p>(14) to propose to the general meeting to employ or replace the accounting firm for the Company's audit;</p> <p>(15) to hear the work report from the Company's general manager and inspect the work of the general manager;</p> <p>(16) other authorities authorized by laws, administrative regulations, departmental rules, the Articles of Association or the general meeting.</p> <p>Matters outside the scope of authorization of general meetings shall be proposed to a general meeting for discussion and approval.</p> <p>Except for resolutions in respect of clauses (6), (7) and (12) above which require the agreement by voting of over two-thirds (2/3) of the directors, the others shall be subject to the agreement by voting of over half (1/2) of the directors.</p> <p>Unless under the exceptional circumstances specified in Rule 13.44 to Listing Rules or by Hong Kong Stock Exchange, a director shall not vote on any resolutions of the board of directors approving any contract or arrangement or any other proposal in which he or his associates (as defined in the Listing Rules) has a material interest; nor shall he be counted in the quorum present at the meeting.</p> <p>If any director has connection with the enterprise involved in the resolution made at a board meeting, the said director shall not vote on the said resolution for himself or on behalf of other directors. The board meeting may be held when more than half (1/2) of the non-connected directors attend the meeting. The resolution of the board meeting shall be passed by more than half (1/2) of the non-connected directors. If the number of non-connected directors attending the meeting is less than three (3), the matter shall be submitted to the general meeting for discussion and approval.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>If any substantial shareholder (as defined in the Listing Rules) or director has any conflict of interests deemed by the board of directors as material in any issue to be considered by the board of directors, the said issue shall not be passed by written resolutions or submitted to a subordinate committee (except the committee established specially for the said issue as per a resolution passed at the board meeting) for handling, and the board of directors shall hold a meeting concerning the said issue. Independent directors and their associates (as defined in the Listing Rules) without any material interest in the transaction shall attend the relevant board meeting.</p>	<p>If any substantial shareholder (as defined in the Listing Rules) or director has any conflict of interests deemed by the board of directors as material in any issue to be considered by the board of directors, the said issue shall not be passed by written resolutions or submitted to a subordinate committee (except the committee established specially for the said issue as per a resolution passed at the board meeting) for handling, and the board of directors shall hold a meeting concerning the said issue. Independent directors and their associates (as defined in the Listing Rules) without any material interest in the transaction shall attend the relevant board meeting.</p>
37.	<p>Article 149 The board of directors shall set forth the scope of authorities for external investment, purchase and sale of assets, pledge of assets, external guarantee, entrusting finance and connected transaction, and establish strict review and decision-making procedures; employ relevant experts and professionals to conduct assessment and seek for approval of general meeting for major investment.</p>	<p>Article 149 The board of directors shall set forth the scope of authorities for external investment, purchase and sale of assets, pledge of assets, external guarantee, entrusting finance, connected transaction and external donations, and establish strict review and decision-making procedures; employ relevant experts and professionals to conduct assessment and seek for approval of general meeting for major investment.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
38.	<p>Article 163 The board of directors shall cause the decisions of the matters discussed at the meeting to be recorded on the minutes thereof. The directors and recorder present at the meeting shall sign the minutes.</p> <p>At the board meeting, opinions expressed by independent directors shall be stated in minutes of the board meeting.</p> <p>Minutes of the board meeting shall be kept as records of the Company for a period of ten (10) years.</p> <p>Any director shall have right to inspect the documents and information of board meetings. Where independent directors have any enquiry, the Company shall make a comprehensive reply as soon as possible. Minutes of board meeting shall upon reasonable notice by any director be available for his inspection during office hours.</p> <p>The directors are liable for the resolutions passed at the meeting of the board of directors. If a resolution of the board of directors contravenes the laws, administrative regulations or this Articles of Association causing the Company to sustain substantial losses, the directors involved in passing such resolutions shall be liable to indemnify the Company provided that if a director can prove that he made an objection during the voting and the same has been entered into the minutes of the meeting, such director may be discharged from liability. A director who waives his right of voting, or who fails to attend the meeting and fails to appoint a proxy to act on his behalf shall not be exempt from liability; a director who explicitly expresses his objection in the course of discussion but fails to cast an objection vote in the voting shall not be exempt from liability.</p>	<p>Article 163 The board of directors shall cause the decisions of the matters discussed at the meeting to be recorded on the minutes thereof. The directors and recorder present at the meeting shall sign the minutes.</p> <p>At the board meeting, opinions expressed by independent directors shall be stated in minutes of the board meeting.</p> <p>Minutes of the board meeting shall be kept as records of the Company for a period of no less than ten (10) years.</p> <p>Any director shall have right to inspect the documents and information of board meetings. Where independent directors have any enquiry, the Company shall make a comprehensive reply as soon as possible. Minutes of board meeting shall upon reasonable notice by any director be available for his inspection during office hours.</p> <p>The directors are liable for the resolutions passed at the meeting of the board of directors. If a resolution of the board of directors contravenes the laws, administrative regulations or this Articles of Association causing the Company to sustain substantial losses, the directors involved in passing such resolutions shall be liable to indemnify the Company provided that if a director can prove that he made an objection during the voting and the same has been entered into the minutes of the meeting, such director may be discharged from liability. A director who waives his right of voting, or who fails to attend the meeting and fails to appoint a proxy to act on his behalf shall not be exempt from liability; a director who explicitly expresses his objection in the course of discussion but fails to cast an objection vote in the voting shall not be exempt from liability.</p>
39.	<p>Article 170 Persons who are employed by the Company's controlling shareholder or person in actual control of the Company other than the directors cannot serve as the Company's senior managerial officers.</p>	<p>Article 170 Persons who are employed as administrative offices by the Company's controlling shareholder of the Company other than the directors and supervisors cannot serve as the Company's senior managerial officers. The senior management of the Company shall only receive remuneration from the Company, not from the controlling shareholders on behalf of the Company.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
40.	Article 179 Where the general manager, deputy general manager and other senior managerial officers violate laws, administrative regulations, departmental rules and the relevant provisions in the Articles of Association on the occasion of performing his duty and caused losses to the Company, it shall be liable for compensation.	Article 179 Where the general manager, deputy general manager and other senior managerial officers violate laws, administrative regulations, departmental rules and the relevant provisions in the Articles of Association on the occasion of performing his duty and caused losses to the Company, it shall be liable for compensation. Senior management of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. If any senior officer of the Company causes damage to the interests of the Company and its public shareholders due to failure in faithfully performing his/her duties or violation of his/her fiduciary duties, he/she shall be liable for compensation in accordance with the laws.
41.	Article 180 The provisions about the prohibition from the assumption of directors set forth in article 134 shall be applicable to the supervisors. Directors, general manager, deputy general manager and person in charge of finance shall not act as supervisor concurrently.	Article 180 The provisions about the prohibition from the assumption of directors set forth in article 134 shall be applicable to the supervisors. Directors, general manager, deputy general manager, person in charge of finance and other senior managers shall not act as supervisor concurrently.
42.	Article 184 The supervisor shall ensure the truthfulness, preciseness and completeness of the disclosed information of the Company.	Article 184 The supervisor shall ensure the truthfulness, preciseness and completeness of the disclosed information of the Company, and shall sign a written confirmation of the periodic report.
43.	Article 194 Minutes shall be taken in supervisory committee meetings, and supervisors attending the meeting and the minute taker shall sign on the minutes of the meetings and be accountable to the supervisory committee. However, if a supervisor is proved to have made an objection during the voting and his objection has been recorded in the minutes, such supervisor can be released from responsibilities. A supervisor is entitled to request for certain explanatory records to his speech in the meeting. Minutes of the supervisory committee meeting shall be kept in the file of the Company for a period of ten (10) years.	Article 194 Minutes shall be taken in supervisory committee meetings, and supervisors attending the meeting and the minute taker shall sign on the minutes of the meetings and be accountable to the supervisory committee. However, if a supervisor is proved to have made an objection during the voting and his objection has been recorded in the minutes, such supervisor can be released from responsibilities. A supervisor is entitled to request for certain explanatory records to his speech in the meeting. Minutes of the supervisory committee meeting shall be kept in the file of the Company for a period of no less than ten (10) years.

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
44.	<p>Article 218 The Company should submit, within four (4) months after the end of a financial year, to the regulatory departments under State Council Securities Committee of the State Council and the domestic and offshore Stock Exchange the Company's annual financial report. The Company should submit, within two (2) months from the end of the first six (6) months of a financial year, to the local representatives of the regulatory departments under Securities Committee of State Council and the domestic and offshore Stock Exchange the Company's interim financial report. The Company should submit, within one (1) month from the end of the first three (3) months and the first nine (9) months, to the local representatives of the regulatory departments under Securities Committee of State Council and the domestic and offshore Stock Exchange the Company's quarterly financial report.</p> <p>The aforesaid financial report shall be drafted in accordance with the relevant laws, administrative regulations and departmental rules.</p>	<p>Article 218 The Company should submit and disclose, within four (4) months after the end of a financial year, to the regulatory departments under State Council Securities Committee of the State Council and the domestic and offshore Stock Exchange the Company's annual report. The Company should submit and disclose, within two (2) months from the end of the first half of a financial year, to the local representatives of the regulatory departments under Securities Committee of State Council and the domestic and offshore Stock Exchange the Company's interim report. The Company should submit, within one (1) month from the end of the first three (3) months and the first nine (9) months, to the local representatives of the regulatory departments under Securities Committee of State Council and the domestic and offshore Stock Exchange the Company's quarterly financial report.</p> <p>The aforesaid financial report shall be drafted in accordance with the relevant laws, administrative regulations and departmental rules.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
45.	<p>Article 226 When distributing the after tax profits of the year, the Company shall make appropriation of ten per cent (10%) of the profits to the statutory common reserve fund. When the statutory common reserve fund has aggregated to more than fifty per cent (50%) of the Company's registered capital, it may no longer make appropriation.</p> <p>If the Company's statutory common reserve fund is insufficient to make up the Company's losses in the previous year, the profits for the current year shall be used to make up the losses before appropriation to the statutory common reserve fund as required in the preceding paragraph.</p> <p>After the appropriation to the statutory common reserve fund from the after tax profits, the Company may make appropriations to the discretionary common reserve fund, subject to the resolution of the general meeting.</p> <p>After offsetting losses of previous financial years and extraction of statutory reserve fund, the remaining after tax profits could be distributed to shareholders according to their shareholdings, except for the distributions not per shareholding as stipulated in this Articles of Association.</p> <p>The shares held by the Company shall not be included in the distribution of profits.</p> <p>If the general meeting or the board of directors violates the requirements in the preceding paragraph, and distributes profits to shareholders prior to making up the Company's losses and appropriation to statutory common reserve fund, the profits so distributed must be returned to the Company.</p>	<p>Article 226 When distributing the after tax profits of the year, the Company shall make appropriation of ten per cent (10%) of the profits to the statutory common reserve fund. When the statutory common reserve fund has aggregated to more than fifty per cent (50%) of the Company's registered capital, it may no longer make appropriation.</p> <p>If the Company's statutory common reserve fund is insufficient to make up the Company's losses in the previous years, the profits for the current year shall be used to make up the losses before appropriation to the statutory common reserve fund as required in the preceding paragraph.</p> <p>After the appropriation to the statutory common reserve fund from the after tax profits, the Company may make appropriations to the discretionary common reserve fund, subject to the resolution of the general meeting.</p> <p>After offsetting losses of previous financial years and extraction of statutory reserve fund, the remaining after tax profits could be distributed to shareholders according to their shareholdings, except for the distributions not per shareholding as stipulated in this Articles of Association.</p> <p>The shares held by the Company shall not be included in the distribution of profits.</p> <p>If the general meeting or the board of directors violates the requirements in the preceding paragraph, and distributes profits to shareholders prior to making up the Company's losses and appropriation to statutory common reserve fund, the profits so distributed must be returned to the Company.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
46.	<p>Article 228 The common reserve fund of the Company shall be used only for the following purposes:</p> <p>(1) recovery of losses of the Company;</p> <p>(2) expansion of the production and operation of the Company; or</p> <p>(3) conversion into additional share capital.</p> <p>Pursuant to resolutions passed at general meetings, the Company may convert the common reserve fund into share capital, and issue new shares to shareholders pro rata to their existing shareholdings or increase the par value of the shares. However, when the statutory common reserve fund is converted into share capital, the amount remaining in such common reserve fund shall not be less than twenty-five per cent (25%) of the registered capital of the Company.</p>	<p>Article 228 The common reserve fund of the Company shall be used only for the following purposes:</p> <p>(1) recovery of losses of the Company, that the capital common reserve fund should not be used to make up loss;</p> <p>(2) expansion of the production and operation of the Company; or</p> <p>(3) conversion into additional share capital.</p> <p>Pursuant to resolutions passed at general meetings, the Company may convert the common reserve fund into share capital, and issue new shares to shareholders pro rata to their existing shareholdings or increase the par value of the shares. However, when the statutory common reserve fund is converted into share capital, the amount remaining in such common reserve fund shall not be less than twenty-five per cent (25%) of the registered capital of the Company before the conversion.</p>
47.	<p>Article 237 The Company shall appoint an independent accounting firm which shall meet the relevant requirements of the State to audit the annual financial report and to review other financial reports of the Company.</p> <p>The first accounting firm of the Company may be appointed by the inaugural meeting of the Company before the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.</p> <p>If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the board of directors.</p>	<p>Article 237 The Company shall appoint an independent accounting firm which shall meet the relevant requirements of the State to audit the annual financial report and to review other financial reports of the Company.</p> <p>The Company shall appoint an accounting firm which is qualified under the relevant provisions of the Securities Law to audit the financial reports, verify the net assets and offer other relevant consulting services, and the term of which shall be one year, and may be renewed.</p> <p>The first accounting firm of the Company may be appointed by the inaugural meeting of the Company before the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.</p> <p>If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the board of directors.</p>

APPENDIX V PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
48.	Article 238 The accounting firm appointed by the Company shall hold office from the conclusion of that annual general meeting to the conclusion of the next annual general meeting.	<p>Article 238 The accounting firm appointed by the Company shall hold office from the conclusion of that annual general meeting to the conclusion of the next annual general meeting.</p> <p>The Company guarantees that the accounting evidence, accounting books, financial report and other accounting information provided to the accounting firm engaged are true and complete without refusal, withholding or false information.</p>
49.	Article 240 If the office of the accounting firm becomes vacant, the board of directors shall have the right to appoint an accounting firm to fill such vacancy prior to the convening of the general meeting. However, in case there is another accounting firm in office for the Company during the continuance of the vacancy, such accounting firm may perform the duties.	Article 240 The engagement of an accounting firm by the Company shall be decided by the shareholders' general meeting, and the board of director shall not engage an accounting firm before any resolution made by the shareholders' general meeting.
50.	Article 242 The remuneration or the manner to determine the remuneration of the accounting firm shall be decided at the general meeting. The remuneration of the accounting firm appointed by the board of directors shall be determined by the board of directors.	Article 242 The remuneration or the manner to determine the remuneration of the accounting firm shall be decided at the general meeting.

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
51.	<p>Article 243 The decisions of the Company to appoint, dismiss or not to re-appoint an accounting firm shall be made at the general meeting and shall be filed with CSRC.</p> <p>Where a resolution is proposed to be passed at a general meeting to appoint a firm other than an incumbent accounting firm to fill any vacant office of accounting firm, or to re-appoint an accounting firm who has been appointed by the board of directors to fill a vacancy, or to dismiss an accounting firm before the expiration of its term of office, the following requirements shall be met:</p> <p>(1) the relevant motion shall be sent to the accounting firm proposed to be appointed or the accounting firm which intends to vacate its office or the accounting firm who has vacated from its office in the relevant accounting year, before the notice of meeting of the general meeting is issued to the shareholders. Vacating the office shall include leaving by removal, resignation or retirement.</p> <p>(2) if the accounting firm which is vacating its office makes a statement in writing and requests the Company to notify the shareholders of that statement, the Company shall, unless the written statement is received too late, take the following measures:</p> <p>1. to state in the notice given in respect of the resolution, the fact that the accounting firm which is vacating the office has made a statement; and</p>	<p>Article 243 The decisions of the Company to appoint, dismiss or not to re-appoint an accounting firm shall be made at the general meeting and shall be filed with CSRC.</p> <p>Where a resolution is proposed to be passed at a general meeting to appoint a firm other than an incumbent accounting firm to fill any vacant office of accounting firm, or to dismiss an accounting firm before the expiration of its term of office, the following requirements shall be met:</p> <p>(1) the relevant motion shall be sent to the accounting firm proposed to be appointed or the accounting firm which intends to vacate its office or the accounting firm who has vacated from its office in the relevant accounting year, before the notice of meeting of the general meeting is issued to the shareholders. Vacating the office shall include leaving by removal, resignation or retirement.</p> <p>(2) if the accounting firm which is vacating its office makes a statement in writing and requests the Company to notify the shareholders of that statement, the Company shall, unless the written statement is received too late, take the following measures:</p> <p>1. to state in the notice given in respect of the resolution, the fact that the accounting firm which is vacating the office has made a statement; and</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
	<p>2. to send a copy of the statement as attachment to the notice to shareholders in the matter provided in the Articles of Association.</p> <p>(3) if the statement of the relevant accounting firm has not been sent in accordance with paragraph (2) of this article, such accounting firm may request the representation be read at the meeting of shareholders and may make further complaint.</p> <p>(4) an accounting firm which is vacating its office shall be entitled to attend the following meetings:</p> <ol style="list-style-type: none"> 1. the general meeting at which its term of office will expire; 2. the general meeting at which it is proposed to fill the vacancy caused by its removal; and 3. the general meeting convened due to its resignation; <p>The accounting firm vacating its office shall be entitled to receive all notices or other relevant information of the said meetings, and speak at the said meetings in respect of the affairs in which it is involved as a former accounting firm of the Company.</p>	<p>2. to send a copy of the statement as attachment to the notice to shareholders in the matter provided in the Articles of Association.</p> <p>(3) if the statement of the relevant accounting firm has not been sent in accordance with paragraph (2) of this article, such accounting firm may request the representation be read at the meeting of shareholders and may make further complaint.</p> <p>(4) an accounting firm which is vacating its office shall be entitled to attend the following meetings:</p> <ol style="list-style-type: none"> 1. the general meeting at which its term of office will expire; 2. the general meeting at which it is proposed to fill the vacancy caused by its removal; and 3. the general meeting convened due to its resignation; <p>The accounting firm vacating its office shall be entitled to receive all notices or other relevant information of the said meetings, and speak at the said meetings in respect of the affairs in which it is involved as a former accounting firm of the Company.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
52.	<p>Article 248 The merger of the Company may take the two forms of merger by absorption and merger by formation of a new corporation.</p> <p>In the event of merger of the Company, the parties involved in the merger shall execute a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify the creditors within ten (10) days from the date of the merger resolution and shall make announcement in newspapers at least three (3) times within thirty (30) days thereof. The creditor may, within thirty (30) days as of his acknowledgement or within forty five (45) days as of the date of announcement in case of not receiving notice, request the Company to settle his debt or provide relevant guarantee.</p> <p>After completion of the merger, the rights and obligations of loans of the parties involved in the merger shall be assumed by the company surviving the merger or the new company formed after the merger.</p>	<p>Article 248 The merger of the Company may take the two forms of merger by absorption and merger by formation of a new corporation.</p> <p>Absorption means a company absorbs another company and the absorbed company will be dissolved. Otherwise, two or more companies will combine together for the establishment of a new company, and the original companies will be dissolved.</p> <p>In the event of merger of the Company, the parties involved in the merger shall execute a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify the creditors within ten (10) days from the date of the merger resolution and shall make announcement in newspapers within thirty (30) days thereof. The creditor may, within thirty (30) days as of his acknowledgement or within forty five (45) days as of the date of announcement in case of not receiving notice, request the Company to settle his debt or provide relevant guarantee.</p> <p>After completion of the merger, the rights and obligations of loans of the parties involved in the merger shall be assumed by the company surviving the merger or the new company formed after the merger.</p>
53.	<p>Article 249 In the event of a division of the Company, its assets shall be divided accordingly.</p> <p>In the event of a division of the Company, the parties involved shall execute a division agreement and prepare the balance sheet and list of assets. The Company shall notify the creditors within ten (10) days from the date of the division resolution and shall make an announcement in newspapers at least three (3) times within thirty (30) days thereof.</p> <p>The liabilities of the Company prior to the division shall be undertaken by the companies after such division in accordance with the agreement entered into.</p>	<p>Article 249 In the event of a division of the Company, its assets shall be divided accordingly.</p> <p>In the event of a division of the Company, the parties involved shall execute a division agreement and prepare the balance sheet and list of assets. The Company shall notify the creditors within ten (10) days from the date of the division resolution and shall make an announcement in newspapers within thirty (30) days thereof.</p> <p>The liabilities of the Company prior to the division shall be undertaken by the companies after such division in accordance with the agreement entered into.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
54.	<p>Article 251 The Company shall dissolve and proceed with liquidation in accordance with law upon occurrence of any one of the following events:</p> <p>(1) the expiry of the term of business operation;</p> <p>(2) the general meeting resolves to dissolve the Company;</p> <p>(3) dissolution of the Company is required for the merger or division of the Company;</p> <p>(4) the Company is pronounced insolvent in accordance with law as a result of its inability to pay debts when due; and</p> <p>(5) closure of the Company in accordance with law as a result of its contravention of laws or administrative regulations.</p>	<p>Article 251 The Company shall dissolve and proceed with liquidation in accordance with law upon occurrence of any one of the following events:</p> <p>(1) The term of business provided in these Articles of Association is expired or other reasons for dissolution as specified in these Articles of Association occur;</p> <p>(2) the general meeting resolves to dissolve the Company;</p> <p>(3) dissolution of the Company is required for the merger or division of the Company;</p> <p>(4) the Company is pronounced insolvent in accordance with law as a result of its inability to pay debts when due;</p> <p>(5) The Company's business license is revoked or the Company is ordered to close down or be dissolved in accordance with the laws;</p> <p>(6) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to shareholders' interests, and no solution can be found through any other channel, shareholders representing 10% or above of the total voting rights of the Company may request the People's Court to dissolve the Company.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
55.	<p>Article 252 In the circumstance set out in (1) of the preceding article, the Company may continue to subsist by amending the Articles of Association.</p> <p>Amendment to the Articles of Association pursuant to the preceding paragraph shall be subject to approval by two-thirds (2/3) of the voting rights held by the shareholders attending the general meeting.</p> <p>In the event that the Company is dissolved under the provisions of paragraphs (1) and (2) of the preceding article, it shall set up within fifteen (15) days a liquidation committee, the members of which shall be determined by way of ordinary resolution passed in general meeting.</p> <p>In the event that the Company is dissolved under the provisions of paragraph (4) of the preceding article, the People's Court shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.</p> <p>In the event that the Company is dissolved under the provisions of paragraph (5) of the preceding article, the relevant supervisory authorities shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.</p>	<p>Article 252 In the circumstance set out in (1) of the preceding article, the Company may continue to subsist by amending the Articles of Association.</p> <p>Amendment to the Articles of Association pursuant to the preceding paragraph shall be subject to approval by two-thirds (2/3) of the voting rights held by the shareholders attending the general meeting.</p> <p>In the event that the Company is dissolved under the provisions of paragraphs (1) and, (2), (5) and (6) of the preceding article, it shall set up within fifteen (15) days a liquidation committee to commence the liquidation process. theThe members of which liquidation committee shall be determined by way of ordinary resolution passed in general meeting. In the event that the liquidation committee has not been duly formed to conduct the liquidation process, the creditors of the Company may apply to the People's Court to order the relevant personnel to establish the liquidation committee to conduct the liquidation process.</p> <p>In the event that the Company is dissolved under the provisions of paragraph (4) of the preceding article, the People's Court shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.</p> <p>In the event that the Company is dissolved voluntarily, it shall be subject to approval by two-thirds (2/3) of the voting rights held by the shareholders attending the general meeting.</p> <p>In the event that the Company is dissolved under the provisions of paragraph (5) of the preceding article, the relevant supervisory authorities shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
56.	<p>Article 254 The liquidation committee shall notify the creditor within ten (10) days of its establishment and make announcement within sixty (60) days of its establishment in newspaper.</p> <p>Within thirty (30) days of receiving the notification of liquidation, or, in the case of not receiving the notification, within forty-five (45) days the announcement is made, the creditors should declare credits to the liquidation committee. Where the creditor fails to declare within the time limit, it shall be deemed as abstain of right. The creditors' declaration of credits should state information related to the credits and provide related proof.</p> <p>The liquidation team shall register the creditor's right.</p>	<p>Article 254 The liquidation committee shall notify the creditor within ten (10) days of its establishment and make announcement within sixty (60) days of its establishment in newspaper.</p> <p>Within thirty (30) days of receiving the notification of liquidation, not receiving the notification, within forty-five (45) days the announcement is made, the creditors should declare credits to the liquidation committee. The creditors' declaration of credits should state information related to the credits and provide related proof.</p> <p>The liquidation team shall register the creditor's right.</p> <p>The liquidation team shall not settle the debts to creditors until the expiry of the period for declaration of claims.</p>
57.	<p>Article 255 The liquidation committee shall during the liquidation process perform the following functions and powers:</p> <p>(1) to dispose of the properties of the Company, to prepare a balance sheet and list of assets respectively;</p> <p>(2) to give notice or make announcement to creditors;</p> <p>(3) to deal with and liquidate the uncompleted business of the Company related to the liquidation;</p> <p>(4) to effect payment of all taxes due;</p> <p>(5) to sort out the Company's right to and liability for debts;</p> <p>(6) to deal with the remaining assets after settlement of debts by the Company; and</p> <p>(7) to represent the Company to participate in civil proceedings.</p>	<p>Article 255 The liquidation committee shall during the liquidation process perform the following functions and powers:</p> <p>(1) to dispose of the properties of the Company, to prepare a balance sheet and list of assets respectively;</p> <p>(2) to give notice or make announcement to creditors;</p> <p>(3) to deal with and liquidate the uncompleted business of the Company related to the liquidation;</p> <p>(4) to effect payment of all taxes due as well as taxes arising in the course of liquidation;</p> <p>(5) to sort out the Company's right to and liability for debts;</p> <p>(6) to deal with the remaining assets after settlement of debts by the Company; and</p> <p>(7) to represent the Company to participate in civil proceedings.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
58.	<p>Article 256 After disposal of the assets of the Company and the preparation of the balance sheet and a list of assets has been completed, the liquidation committee shall draw up a liquidation programme for submission to the general meeting or the relevant supervisory authorities for their confirmation.</p> <p>After priority payment of liquidation expenses, the assets of the Company shall pay off in the order as follows: (1) all wages due to the staff and workers of the Company and labour insurance expenses; (2) taxes due; and (3) bank borrowings, debentures and other debts of the Company.</p> <p>The remaining assets of the Company after settlement in accordance with the provisions aforesaid shall be distributed to the shareholders of the Company in accordance with the class and proportion of shares held by them.</p> <p>During the liquidation process, no new business activities shall be commenced by the Company.</p>	<p>Article 256 After disposal of the assets of the Company and the preparation of the balance sheet and a list of assets has been completed, the liquidation committee shall draw up a liquidation programme for submission to the general meeting or the relevant supervisory authorities for their confirmation.</p> <p>The remaining assets of the Company, after payment of liquidation expenses, wages, social insurance expenses and statutory compensation of staff, taxes due and debts of the Company, shall be distributed to shareholders of the Company in accordance with the proportion of shares held by them.</p> <p>During the liquidation process, the Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of the Company shall not be distributed to shareholders before the settlement of debts in accordance with the preceding article.</p>
59.	<p>Article 264 The amendments to the Articles of Association which involve the contents of the Mandatory Provisions shall become effective upon the approval by the companies examining and approving authorities authorised by the State Council and the CSRC; if the amendments involve company registration matters, application for alteration of the registration shall be made to the companies registration and management organisation in accordance with law.</p>	<p>Article 264 If an amendment to these Articles of Association involves matters requires the approval from the competent regulatory authority, it shall be submitted to the competent regulatory authority for approval; the amendments to the Articles of Association which involve the contents of the Mandatory Provisions shall become effective upon the approval by the companies examining and approving authorities authorised by the State Council and the CSRC; if the amendments involve company registration matters, application for alteration of the registration shall be made to the companies registration and management organisation in accordance with law.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
60.	<p>Article 268 Unless otherwise provided in the Articles of Association, the notices, information or written statements given by the Company to the holders of the overseas-listed foreign shares must be delivered to each of those holders at their registered address in the Register of members by hand or by postage-prepaid mail.</p> <p>Where notice is given by way of announcement according to any right exercised pursuant to the Articles of Association, such notice shall be given by means of public announcements in newspapers or Hong Kong Stock Exchange's website.</p> <p>With regard to joint shareholders, the Company is only required to deliver or send any notice, information or other documents to one of such joint shareholders.</p> <p>Notices of the Company to the holders of Domestic Shares shall be published by way of an announcement in one or several newspapers designated by the securities regulatory authorities of the State and all holders of the Domestic Shares shall be deemed to have received the notice upon the publication of the announcement.</p>	<p>Article 268 Unless otherwise provided in the Articles of Association, the notices, information or written statements given by the Company to the holders of the overseas-listed foreign shares must be delivered to each of those holders at their registered address in the Register of members by hand or by postage-prepaid mail.</p> <p>Where notice is given by way of announcement according to any right exercised pursuant to the Articles of Association, such notice shall be given by means of public announcements in newspapers or Hong Kong Stock Exchange's website. Where a notice is served by way of announcement, after the publication of such announcement, all related persons shall be deemed to have received the relevant notice.</p> <p>With regard to joint shareholders, the Company is only required to deliver or send any notice, information or other documents to one of such joint shareholders.</p> <p>Notices of the Company to the holders of Domestic Shares shall be published by way of an announcement in one or several newspapers designated by the securities regulatory authorities of the State and all holders of the Domestic Shares shall be deemed to have received the notice upon the publication of the announcement.</p>
61.	<p>Article 270 Any notices, documents, information or written statements served on the Company by shareholders or the directors shall be delivered to the legal address of the Company by personal delivery or by registered post.</p> <p>Notice sent by personal delivery, receiver shall sign (or seal) on reply slip with the date of acknowledgement of receipt as the delivery date.</p>	<p>Article 270 Any notices, documents, information or written statements served on the Company by shareholders or the directors shall be delivered to the legal address of the Company by personal delivery or by registered post.</p> <p>Notice sent by personal delivery, receiver shall sign (or seal) on reply slip with the date of acknowledgement of receipt as the delivery date. For notices made in the form of announcement, the first day of publication of an announcement is considered the day the notification being received.</p>

S/N	Original Provisions of the Articles of Association	Amended Provisions of the Articles of Association
62.	<p>Article 271 In proving service of notices, documents, information or written statements by the shareholders or directors to the Company, they shall provide evidence that the relevant notice, document, information or written statement has been served within the time of service specified by the usual methods, and the same has been served by delivering to the correct address by way of prepaid post.</p>	<p>Article 271 In proving service of notices, documents, information or written statements by the shareholders or directors to the Company, they shall provide evidence that the relevant notice, document, information or written statement has been served within the time of service specified by the usual methods, and the same has been served by delivering to the correct address by way of prepaid post.</p> <p>The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the meeting and the resolutions passed at the meeting.</p>
63.	<p>Article 272 Interpretation</p> <p>(8) External guarantee refers to external guarantee provided by the company and controlling subsidiaries thereof with their credit in accordance with Guarantee Law of the People's Republic of China, or external mortgage of assets in accordance with Guarantee Law of the People's Republic of China, external pledge of chattels or rights in accordance with Guarantee Law of the People's Republic of China, and promise to the creditor or beneficiary that the guarantor will fulfill the repayment obligation if the debtor fails to make repayment in accordance with the contract, including guarantee provided by the company for others, guarantee provided by the company for its controlling subsidiaries, guarantee provided by the controlling subsidiaries for the company, and guarantee provided by controlling subsidiaries for each other.</p>	<p>Article 272 Interpretation</p> <p>(8) External guarantee refers to external guarantee provided by the company and controlling subsidiaries thereof with their credit in accordance with Civil Code of the People's Republic of China, or external mortgage of assets in accordance with Civil Code of the People's Republic of China, external pledge of chattels or rights in accordance with Civil Code of the People's Republic of China, and promise to the creditor or beneficiary that the guarantor will fulfill the repayment obligation if the debtor fails to make repayment in accordance with the contract, including guarantee provided by the company for others, guarantee provided by the company for its controlling subsidiaries, guarantee provided by the controlling subsidiaries for the company, and guarantee provided by controlling subsidiaries for each other.</p>

The full text of the proposed amendments to the Rules of Procedures for the Shareholders General Meetings is set out below.

**COMPARISON TABLE ON THE AMENDMENTS TO THE RULES OF
PROCEDURES FOR THE SHAREHOLDERS GENERAL MEETINGS OF
ZHEJIANG SHIBAO COMPANY LIMITED**

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
1.	<p>Article 3 The general meeting shall exercise the following powers in accordance with laws:</p> <p>(I) to decide on the Company's operational policies and investment plans;</p> <p>(II) to elect or remove the directors, and decide on matters relating to the remuneration of directors;</p> <p>(III) to elect and replace supervisors not representing the staffs, and to decide remuneration of the relevant supervisor;</p> <p>(IV) to consider and approve reports of the board of directors;</p> <p>(V) to consider and approve reports of the supervisory committee;</p> <p>(VI) to consider and approve the Company's proposed annual financial budget and final accounts;</p> <p>(VII) to consider and approve the Company's proposals for profit distribution and recovery of losses;</p> <p>(VIII) to resolve on the increase or reduction in the Company's registered capital;</p> <p>(IX) to resolve on issues such as material external investment, merger, division, dissolution and liquidation of the Company;</p> <p>(X) to resolve on the issue of bonds of the Company;</p> <p>(XI) to resolve on the appointment, removal or cessation of appointment of the Company's accountants firm;</p>	<p>Article 3 The general meeting shall exercise the following powers in accordance with laws:</p> <p>(I) to decide on the Company's operational policies and investment plans;</p> <p>(II) to elect or remove the directors, and decide on matters relating to the remuneration of directors;</p> <p>(III) to elect and replace supervisors not representing the staffs, and to decide remuneration of the relevant supervisor;</p> <p>(IV) to consider and approve reports of the board of directors;</p> <p>(V) to consider and approve reports of the supervisory committee;</p> <p>(VI) to consider and approve the Company's proposed annual financial budget and final accounts;</p> <p>(VII) to consider and approve the Company's proposals for profit distribution and recovery of losses;</p> <p>(VIII) to resolve on the increase or reduction in the Company's registered capital;</p> <p>(IX) to resolve on issues such as material external investment, merger, division, dissolution and liquidation of the Company;</p> <p>(X) to resolve on the issue of bonds of the Company;</p> <p>(XI) to resolve on the appointment, removal or cessation of appointment of the Company's accountants firm;</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
	<p>(XII) to amend the Articles of Association of the Company;</p> <p>(XIII) to consider motions of shareholders representing three per cent (3%) (inclusive) or more of the voting shares in the Company; and</p> <p>(XIV) to consider and approve particulars of external guarantee prescribed in article 4;</p> <p>(XV) to consider and approve material purchase or sale of assets of the Company within 1 year with value over 30% of the total assets;</p> <p>(XVI) to consider and approve change in use of proceeds;</p> <p>(XVII) to consider and approve share option scheme;</p> <p>(XVIII) to resolve on any other matters at general meetings as required under the laws, administrative regulations and this Articles of Association.</p>	<p>(XII) to amend the Articles of Association of the Company;</p> <p>(XIII) to consider motions of shareholders representing three per cent (3%) (inclusive) or more of the voting shares in the Company; and</p> <p>(XIV) to consider and approve particulars of external guarantee prescribed in article 4;</p> <p>(XV) to consider and approve material purchase or sale of assets of the Company within 1 year with value over 30% of the total assets;</p> <p>(XVI) to consider and approve change in use of proceeds;</p> <p>(XVII) to consider and approve share option scheme and employee shareholding plan;</p> <p>(XVIII) to resolve on any other matters at general meetings as required under the laws, administrative regulations and this Articles of Association.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
2.	<p>Article 4 Following particulars of external guarantee issued by the Company require consideration and approval by the general meeting:</p> <p>(I) value of a single guarantee exceeds ten per cent (10%) of the latest audited net assets of the Company;</p> <p>(II) guarantee provided to the guarantee objective whose asset liability ratio exceeds seventy per cent (70%);</p> <p>(III) any guarantee after the value of total external guarantee of the Company and its controlling subsidiaries that reaches fifty per cent (50%) or more of the latest audited net assets of the Company;</p> <p>(IV) any guarantee after the value of total external guarantee of the Company that reaches thirty per cent (30%) or more of the latest audited total assets of the Company;</p> <p>(V) guarantee provided to shareholders, the de facto controller and their respective related party;</p> <p>(VI) other guarantees prescribed by laws, regulations, listing rules of relevant stock exchange or the Articles of Association which require approval by shareholders meeting.</p>	<p>Article 4 Following particulars of external guarantee issued by the Company require consideration and approval by the general meeting:</p> <p>(I) value of a single guarantee exceeds ten per cent (10%) of the latest audited net assets of the Company;</p> <p>(II) guarantee provided to the guarantee objective whose asset liability ratio exceeds seventy per cent (70%);</p> <p>(III) any guarantee after the value of total external guarantee of the Company and its controlling subsidiaries that exceeds fifty per cent (50%) of the latest audited net assets of the Company;</p> <p>(IV) any guarantee after the value of total external guarantee of the Company that exceeds thirty per cent (30%) of the latest audited total assets of the Company;</p> <p>(V) any guarantee provided by the Company in excess of 30% of its latest audited total assets within one year;</p> <p>(VI) guarantee provided to shareholders, the de facto controller and their respective related party;</p> <p>(VII) other guarantees prescribed by laws, regulations, listing rules of relevant stock exchange or the Articles of Association which require approval by shareholders meeting.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
		<p>For provision of guarantee to a related person by the Company, in addition to the deliberation and approval by more than half of all non-related directors, it is also subject to the deliberation and approval by more than two-thirds of the non-related directors present at the Board meeting, and shall be submitted to the general meeting for deliberation. Where the Company provides guarantees to its controlling shareholders, de facto controllers and their related persons, the controlling shareholders, de facto controllers and their related persons shall provide counter-guarantee.</p> <p>Those who fail to provide a guarantee in accordance with the prescribed procedures or within their scope of licenses shall be held accountable in accordance with the Company's relevant rules and bear corresponding legal liabilities.</p>
3.	<p>Article 11 Where supervisory committee or shareholders decide to convene the general meeting themselves, they shall notify the board of directors in written form and make filing with the local branches designated by CSRC and the stock exchange.</p> <p>Where the general meeting is convened and presided by shareholders themselves, prior to the announcement of the member resolutions, shareholding of the shareholders convening the meeting shall not be less than ten per cent (10%).</p> <p>Where the general meeting is convened and presided by shareholders themselves, the shareholders convening the meeting shall, at the time of issue the notice of general meeting and announcement of shareholders resolutions, submit relevant documentary proof to the local branches designated by CSRC and the stock exchange.</p>	<p>Article 11 Where supervisory committee or shareholders decide to convene the general meeting themselves, they shall notify the board of directors in written form and make filing with the stock exchange.</p> <p>Where the general meeting is convened and presided by shareholders themselves, prior to the announcement of the member resolutions, shareholding of the shareholders convening the meeting shall not be less than ten per cent (10%).</p> <p>Where the general meeting is convened and presided by the supervisory committee or shareholders themselves, the supervisory committee or the shareholders convening the meeting shall, at the time of issue the notice of general meeting and announcement of shareholders resolutions, submit relevant documentary proof to the stock exchange.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
4.	<p>Article 14 The convener of a general meeting shall send a written notice 45 days prior to the date of the general meeting (excluding the date upon which the notice is issued and the general meeting is convened) to notify all the shareholders in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. The starting date for counting for notification period of a general meeting shall not include the date of convening the meeting.</p> <p>Any shareholder intending to attend the meeting shall deliver to the Company a written reply showing his intention to attend at least 20 days (excluding the date upon which the notice is issued and the general meeting is convened) before the meeting. The Company shall, based on the received written replies, calculate the number of voting shares held by shareholders intending to attend the meeting. Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than one-half of the Company's voting shares, the Company may convene the general meeting; if not, the Company shall, within 5 days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may then convene the general meeting after such announcements.</p>	<p>Article 14 To convene an annual general meeting of the Company, the Company shall issue a written notice 20 days prior to the general meeting to notify all the shareholders in the shareholders' register of the issues to be considered at the meeting; in the case of an extraordinary general meeting, the Company shall issue a written notice 15 days prior to the meeting informing all the registered shareholders of the matters to be considered at and the date and place of the meeting. When the Company convenes a meeting of class shareholders, the period of notice and the notification method shall be as specified in Article 131 of the Articles of Association. The starting date for counting for notification period of a general meeting shall not include the date of convening the meeting.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
5.	<p>Article 15 The notice of the general meeting shall include the following details:</p> <p>(I) be in writing;</p> <p>(II) stock registration date of the shareholder having the right to attend the general meeting;</p> <p>(III) specify the venue, date and time of the meeting;</p> <p>(IV) state the matters to be discussed at the meeting;</p> <p>(V) provide such information and explanation as are necessary for the shareholders to make an informed decision on issues to be discussed; including (but not limited to) where a proposal is made to amalgamate the Company with another, repurchase shares of the Company, reorganise the share capital, or restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract, if any, and the cause and effect of such proposal must be properly explained;</p> <p>(VI) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager, deputy general manager or other senior managerial officer in the matters to be discussed and the effect of the matters to be discussed on such director, supervisor, general manager, deputy general manager or other senior managerial officer in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;</p> <p>(VII) contain the full text of any special resolution to be proposed at the meeting;</p>	<p>Article 15 The notice of the general meeting shall meet the following requirements:</p> <p>(I) be in writing;</p> <p>(II) stock registration date of the shareholder having the right to attend the general meeting;</p> <p>(III) specify the venue, date and time of the meeting;</p> <p>(IV) state the matters to be discussed at the meeting;</p> <p>(V) provide such information and explanation as are necessary for the shareholders to make an informed decision on issues to be discussed; including (but not limited to) where a proposal is made to amalgamate the Company with another, repurchase shares of the Company, reorganise the share capital, or restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract, if any, and the cause and effect of such proposal must be properly explained;</p> <p>(VI) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager, deputy general manager or other senior managerial officer in the matters to be discussed and the effect of the matters to be discussed on such director, supervisor, general manager, deputy general manager or other senior managerial officer in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;</p> <p>(VII) contain the full text of any special resolution to be proposed at the meeting;</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
	<p>(VIII) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;</p> <p>(IX) specify the time and place for lodging the proxy form for the relevant meeting;</p> <p>(X) name and phone number of the permanent associated person;</p> <p>(XI) where the general meeting adopts means of internet, it shall, in the notice, set out expressly the voting time and procedures of internet means.</p>	<p>(VIII) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;</p> <p>(IX) specify the time and place for lodging the proxy form for the relevant meeting;</p> <p>(X) name and phone number of the permanent associated person;</p> <p>(XI) where the general meeting adopts means of internet, it shall, in the notice, set out expressly the voting time and procedures of internet means.</p>
6.	<p>Article 18 Notice of a general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by hand or by prepaid mail to their addresses as shown in the register of shareholders. The notice for domestic shareholders shall be made by announcement.</p> <p>The announcement as mentioned in the preceding paragraph shall be published in one or more newspapers designated by the securities governing authority of the State Council; after the publication of notice, all the holders of domestic shares shall be deemed to have received the notice of the relevant general meeting. The notice for H Share shareholders shall be published on the website of the Hong Kong Stock Exchange or one or more newspapers designated by the Hong Kong Stock Exchange; after the publication of notice, all the holders of H shares shall be deemed to have received the notice of the relevant general meeting.</p> <p>The Company shall give notice of general meeting to allow for adequate time for the holders of overseas listed shares whose registered addresses are in Hong Kong to exercise their rights or act according to the terms of the notice.</p>	<p>Article 18 Notice of a general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by hand or by prepaid mail to their addresses as shown in the register of shareholders. The notice for domestic shareholders shall be made by announcement.</p> <p>The announcement as mentioned in the preceding paragraph shall be published in one or more newspapers designated by the securities governing authority of the State Council; after the publication of notice, all the holders of domestic shares shall be deemed to have received the notice of the relevant general meeting. The notice for H Share shareholders shall be published on the website of the Hong Kong Stock Exchange or one or more newspapers designated by the Hong Kong Stock Exchange; after the publication of notice, all the holders of H shares shall be deemed to have received the notice of the relevant general meeting.</p> <p>The Company shall give notice of general meeting to allow for adequate time for the holders of overseas listed shares whose registered addresses are in Hong Kong to exercise their rights or act according to the terms of the notice.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
7.	<p>Article 25 Procedures for nomination of independent director candidates are as follows: An independent director candidate may be nominated by the Board, the Supervisory Committee, or shareholder (s) severally or jointly holding more than 1% of the total number of shares issued by the Company. The nominator of an independent director shall seek the consent of the nominee before nomination, and shall be fully aware of such particulars of the nominee in terms of his occupation, academic qualification, professional title, detailed work experience and all information regarding his positions held concurrently and be responsible for providing to the Company his opinions in relation to the nominee's qualification as an independent director and independence. The nominee shall make a public announcement in accordance with such requirements stating that there exists no relationship between the Company and him that affects his independent and objective judgment.</p> <p>Before the general meeting is convened for election of independent directors, the Board shall announce the above in accordance with the relevant requirements. Before the general meeting for the election of independent directors, the Company shall submit the relevant information of all candidates to the authority appointed by China Securities Regulatory Commission (CSRC) in the location of the Company and Shenzhen Stock Exchange. Written opinions of the board of directors shall also be submitted in case the board of directors has any dispute as to the particulars of the nominee. The CSRC shall verify the qualifications and degrees of independence of the nominees for independent directors within 15 workdays. Any of such nominees objected by CSRC may be treated as a nominee for director instead of independent director. When a general meeting is convened to nominate independent directors, the Board shall make a statement on whether CSRC has any objection to the nominations.</p>	<p>Article 25 Procedures for nomination of independent director candidates are as follows: An independent director candidate may be nominated by the Board, the Supervisory Committee, or shareholder (s) severally or jointly holding more than 1% of the total number of shares issued by the Company. The nominator of an independent director shall seek the consent of the nominee before nomination, and shall be fully aware of such particulars of the nominee in terms of his occupation, academic qualification, professional title, detailed work experience and all information regarding his positions held concurrently and be responsible for providing to the Company his opinions in relation to the nominee's qualification as an independent director and independence. The nominee shall make a public announcement in accordance with such requirements stating that there exists no relationship between the Company and him that affects his independent and objective judgment.</p> <p>Before the general meeting is convened for election of independent directors, the Board shall announce the above in accordance with the relevant requirements. Before the general meeting for the election of independent directors, the Company shall submit the relevant information of all candidates to the Stock Exchange. Written opinions of the board of directors shall also be submitted in case the board of directors has any dispute as to the particulars of the nominee.</p>
8.	<p>Article 27 The record date shall be determined by the convener. All shareholders whose names appear on the register of members on the record date and their proxies are entitled to attend the general meeting and shall not be prevented from attending the meeting by either the Company or the convener for any reason.</p>	<p>Article 27 The record date shall be determined by the Board or the convener. All shareholders whose names appear on the register of members on the record date and their proxies are entitled to attend the general meeting and shall not be prevented from attending the meeting by either the Company or the convener for any reason.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
9.	<p>Article 30 The power of attorney of shareholders appointing others to attend general meetings shall set out the following contents:</p> <p>(I) name of the proxy;</p> <p>(II) whether the proxy has voting right or not;</p> <p>(III) indications to vote for, vote against or abstain from voting on every matter to be included in the agenda for consideration at the general meeting;</p> <p>(IV) date of issue of the power of attorney and the effective date;</p> <p>(V) the signature (or seal with a chop) of the appointor or his proxy appointed in writing. For a legal person Shareholder, the power of attorney shall be sealed with the chop of the corporate body, or signed by its director or by the proxy duly appointed.</p> <p>The power of attorney for voting shall be deposited at the domicile of the Company or such other place as specified in the notice of meeting at least 24 hours prior to the meeting at which the proxy is authorized to vote or 24 hours before the scheduled voting time. Where such a power of attorney is signed by a person authorized by the principal, the power of attorney authorizing signature or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the proxy form, be deposited at the Company's domicile or at such other place as specified in the notice of the meeting.</p>	<p>Article 30 The power of attorney of shareholders appointing others to attend general meetings shall set out the following contents:</p> <p>(I) name of the proxy;</p> <p>(II) whether the proxy has voting right or not;</p> <p>(III) indications to vote for, vote against or abstain from voting on every matter to be included in the agenda for consideration at the general meeting;</p> <p>(IV) date of issue of the power of attorney and the effective date;</p> <p>(V) the signature (or seal with a chop) of the appointor. For a legal person Shareholder, the power of attorney shall be sealed with the chop of the corporate body.</p> <p>The power of attorney for voting shall be deposited at the domicile of the Company or such other place as specified in the notice of meeting at least 24 hours prior to the meeting at which the proxy is authorized to vote or 24 hours before the scheduled voting time. Where such a power of attorney is signed by a person authorized by the principal, the power of attorney authorizing signature or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the proxy form, be deposited at the Company's domicile or at such other place as specified in the notice of the meeting.</p>
10.	<p>Article 63 Resolutions shall be made on issues passed by votes at the general meeting. Resolutions shall be divided into ordinary resolutions and special resolutions. An ordinary resolution of the general meeting shall be passed by an affirmative vote of more than half of the total voting shares held by the shareholders who are present at the meeting (including proxies). A special resolution of the general meeting shall be passed by an affirmative vote of more than two-thirds of the total voting shares held by the shareholders who are present at the meeting (including proxies).</p>	<p>Article 63 Resolutions shall be made on issues passed by votes at the general meeting. Resolutions shall be divided into ordinary resolutions and special resolutions. An ordinary resolution of the general meeting shall be passed by an affirmative vote of more than one half of the total voting shares held by the shareholders who are present at the meeting (including proxies). A special resolution of the general meeting shall be passed by an affirmative vote of more than two-thirds of the total voting shares held by the shareholders who are present at the meeting (including proxies).</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
11.	<p>Article 65 The following matters shall be passed by ordinary resolution at a general meeting:</p> <p>(I) the working reports of the board of directors and the supervisory committee;</p> <p>(II) plans for profit distribution and for making up of losses proposed by the board of directors;</p> <p>(III) appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment;</p> <p>(IV) annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company; and</p> <p>(V) other matters other than those shall be passed by special resolution at a general meeting as stipulated by laws, administrative regulations or this Articles of Association.</p>	<p>Article 65 The following matters shall be passed by ordinary resolution at a general meeting:</p> <p>(I) the working reports of the board of directors and the supervisory committee;</p> <p>(II) plans for profit distribution and for making up of losses proposed by the board of directors;</p> <p>(III) appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment;</p> <p>(IV) annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company;</p> <p>(V) annual reports of the Company; and</p> <p>(VI) other matters other than those shall be passed by special resolution at a general meeting as stipulated by laws, administrative regulations or this Articles of Association.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
12.	<p>Article 66 The following matters shall be passed by special resolution at a general meeting:</p> <p>(I) increase or decrease of share capital of the Company, and issue of any class of shares, warrants and other similar securities;</p> <p>(II) issue of the Company's debentures;</p> <p>(III) split, merger, dissolution and winding up of the Company;</p> <p>(IV) amendments to the Articles of Association;</p> <p>(V) where the purchase or dispose of major assets or the amount of guarantee within one (1) year exceed thirty per cent (30%) of the Company's total assets;</p> <p>(VI) equity incentive scheme of the Company;</p> <p>(VII) as stipulated by laws, administrative regulations or this Articles of Association, and other matters deemed by ordinary resolution as having significant potential influence on the Company and thereby need to be approved by special resolution.</p>	<p>Article 66 The following matters shall be passed by special resolution at a general meeting:</p> <p>(I) increase or decrease of share capital of the Company, and issue of any class of shares, warrants and other similar securities;</p> <p>(II) issue of the Company's debentures;</p> <p>(III) split, spin-off, merger, dissolution and winding up of the Company;</p> <p>(IV) amendments to the Articles of Association;</p> <p>(V) where the purchase or dispose of major assets or the amount of guarantee within one (1) year exceed thirty per cent (30%) of the Company's total assets;</p> <p>(VI) equity incentive scheme of the Company;</p> <p>(VII) as stipulated by laws, administrative regulations or this Articles of Association, and other matters deemed by ordinary resolution as having significant potential influence on the Company and thereby need to be approved by special resolution.</p>

S/N	Original Articles of Rules of Procedures for the shareholders General Meetings	Amended Articles of Rules of Procedures for the shareholders General Meetings
13.	<p>Article 85 To convene the meeting of class shareholders, the Company shall, 45 days prior to the convening of the meeting (excluding the date of issue of notice and date of meeting), give registered holders of shares of the class, written notice, specifying matters to be considered at the meeting and the date and place of the meeting. Any shareholder intending to attend the meeting shall deliver to the Company a written reply showing his intention to attend at least 20 days (excluding the date upon which the notice is issued and the meeting is convened) before the meeting. Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than one half of the Company's voting shares of the said class, the Company may convene the general meeting; if not, the Company shall, within 5 days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may convene a class general meeting after public announcement.</p>	<p>Article 85 To convene the meeting of class shareholders, the Company shall, at least 20 days prior to the annual general meeting (excluding the date of issue of notice and date of meeting) or at least 15 days prior to the extraordinary general meeting (excluding the date of issue of notice and date of meeting), give registered holders of shares of the class, written notice, specifying matters to be considered at the meeting and the date and place of the meeting.</p>
14.	<p>Article 92 These Rules form an annex to the Articles of Association of Zhejiang Shibao Company Limited (Draft) and its effective date shall follow the stipulation under the Articles of Association of Zhejiang Shibao Company Limited (Draft).</p>	<p>Article 92 These Rules form an annex to the Articles of Association of Zhejiang Shibao Company Limited and its effective date shall follow the stipulation under the Articles of Association of Zhejiang Shibao Company Limited.</p>

The full text of the proposed amendments to the Rules of Procedures for the Board of Directors is set out below.

**COMPARISON TABLE OF THE AMENDMENTS TO THE RULES OF
PROCEDURES FOR THE BOARD OF DIRECTORS OF
ZHEJIANG SHIBAO COMPANY LIMITED**

S/N	Original Articles of Rules of Procedure for General Meetings	Amended Articles of Rules of Procedure for General Meetings
1.	<p>Article 10 Contents of Notice of Meeting</p> <p>A written notice of meeting shall at least contain the following contents:</p> <p>(I) the date and venue of the meeting;</p> <p>(II) the way of convention of the meeting;</p> <p>(III) matters to be considered (motions);</p> <p>(IV) the convener and chairman of the meeting, the proposer of an extraordinary meeting and his/her written proposal;</p> <p>(V) the necessary information that assists the voting by directors;</p> <p>(VI) the requirement that require directors to attend the meeting in person or by proxy by another director;</p> <p>(VII) the contact person and his/her contact information.</p> <p>If a meeting is convened orally, the notice shall at least contain items (I) and (II) above and the background information explaining the urgent convention of an extraordinary meeting.</p>	<p>Article 10 Contents of Notice of Meeting</p> <p>The notice of meeting shall contain the following contents:</p> <p>(I) the date and venue of the meeting;</p> <p>(II) the duration of the meeting;</p> <p>(III) the subject and agenda of the meeting;</p> <p>(IV) the date on which the notice is issued.</p>

S/N	Original Articles of Rules of Procedure for General Meetings	Amended Articles of Rules of Procedure for General Meetings
2.	<p>Article 25 Minutes of Meetings</p> <p>The decisions on the issues considered on Board meetings or by means of communications shall be recorded as minutes in Chinese. Minutes of meetings shall include the following particulars:</p> <p>(I) the number of the meeting and its date, venue and mode;</p> <p>(II) information related to the giving of the notice of meeting;</p> <p>(III) convener and chairman of the meeting;</p> <p>(IV) attendance by directors or by their proxies;</p> <p>(V) motions considered at the meeting, highlights of the speech made by each director (including independent director) in relation to the motion, their major opinion and voting intention;</p> <p>(VI) voting method and poll results of each motion together with the specific number of votes for, against or abstaining;</p> <p>(VII) other matters considered necessary to be included in the minutes.</p> <p>The minutes of each Board meeting shall be provided to the directors as soon as possible. Directors who wish to make supplementary amendments to the minutes shall report their opinions on the proposed amendment to the chairman within a week after receipt of the minutes. After the minutes are finalized, all the attending directors and persons recording the minutes shall sign on the minutes. Minutes of Board meetings shall be kept at the domicile of the Company, and a complete copy shall be sent to every director as soon as possible.</p>	<p>Article 25 Minutes of Meetings</p> <p>The decisions on the issues considered on Board meetings or by means of communications shall be recorded as minutes in Chinese. Minutes of meetings shall include the following particulars:</p> <p>(I) the date, venue and name of the convener of the meeting;</p> <p>(II) the names of the participating directors and the representatives authorized by directors (proxies);</p> <p>(III) agenda of the meeting;</p> <p>(IV) summaries of the speeches of directors;</p> <p>(V) the voting methods and results of each resolution (the voting results shall specify the number of votes for approval, opposition or abstention).</p> <p>The minutes of each Board meeting shall be provided to the directors as soon as possible. Directors who wish to make supplementary amendments to the minutes shall report their opinions on the proposed amendment to the chairman within a week after receipt of the minutes. After the minutes are finalized, all the attending directors and persons recording the minutes shall sign on the minutes. Minutes of Board meetings shall be kept at the domicile of the Company, and a complete copy shall be sent to every director as soon as possible.</p>

S/N	Original Articles of Rules of Procedure for General Meetings	Amended Articles of Rules of Procedure for General Meetings
3.	<p>Article 30 Keeping of Meeting Archives</p> <p>Archives of Board meetings, including notices of meeting, meeting documents, attendance book, powers of attorney for proxy directors, meeting recordings, votes, meeting minutes signed by the attending directors, meeting summaries, records of the resolutions, announcements of the resolutions, etc., shall be kept by the secretary of the Board.</p> <p>Archives of Board meetings shall be kept for at least 15 years.</p>	<p>Article 30 Keeping of Meeting Archives</p> <p>Archives of Board meetings, including notices of meeting, meeting documents, attendance book, powers of attorney for proxy directors, meeting recordings, votes, meeting minutes signed by the attending directors, meeting summaries, records of the resolutions, announcements of the resolutions, etc., shall be kept by the secretary of the Board.</p> <p>Archives of Board meetings shall be kept for no less than ten (10) years.</p>
4.	<p>Article 31 Supplementary Provisions</p> <p>In the Rules, “more than” is inclusive.</p> <p>Any terms involved and matters not covered herein shall be governed by the Articles of Association and shall not be explained or quoted based on other rules of the Company.</p> <p>These Rules shall form an annex to the Articles of Association of Zhejiang Shibao Company Limited (Draft) and its effective date shall follow the stipulation under the Articles of Association of Zhejiang Shibao Company Limited (Draft).</p> <p>The Rules shall be subject to the interpretation of the Board.</p>	<p>Article 31 Supplementary Provisions</p> <p>In the Rules, “more than” is inclusive.</p> <p>Any terms involved and matters not covered herein shall be governed by the Articles of Association and shall not be explained or quoted based on other rules of the Company.</p> <p>These Rules shall form an annex to the Articles of Association of Zhejiang Shibao Company Limited and its effective date shall follow the stipulation under the Articles of Association of Zhejiang Shibao Company Limited.</p> <p>The Rules shall be subject to the interpretation of the Board.</p>

The full text of the proposed amendments to the Rules of Procedures for the Supervisory Committee is set out below.

**COMPARISON TABLE OF THE AMENDMENTS TO THE RULES OF
PROCEDURES FOR THE SUPERVISORY COMMITTEE OF
ZHEJIANG SHIBAO COMPANY LIMITED**

S/N	Original Articles of the Rules of Procedures for the Supervisory Committee	Amended Articles of the Rules of Procedures for the Supervisory Committee
1.	Article 3 Supervisors shall honestly fulfil the supervisory duty in accordance with relevant laws, administrative regulations and the Articles of Association.	Article 3 Supervisors shall honestly fulfil the supervisory duty in accordance with relevant laws, administrative regulations and the Articles of Association. Supervisors shall ensure the truthfulness, preciseness and completeness of the disclosed information of the Company, and shall sign a written confirmation of the periodic report.
2.	Article 4 Supervisors perform duties independently and are free from any interference or obstruction of directors, senior executives and other staff of the Company. The Company shall guarantee the supervisors' right to know and provide necessary assistance for them to properly perform duties.	Article 4 Supervisors perform duties independently and are free from any interference or obstruction of directors, senior executives and other staff of the Company. The Company shall guarantee the supervisors' right to know and provide necessary assistance for them to properly perform duties. Directors, general manager, deputy general manager, person in charge of finance and other senior managers shall not act as supervisor concurrently.
3.	Article 30 Minutes of the supervisory committee meeting shall be kept in the file of the Company for a period of ten (10) years.	Article 30 Minutes of the supervisory committee meeting shall be kept in the file of the Company for a period of no less than ten (10) years.
4.	Article 34 These Rules shall form an annex to the Articles of Association of Zhejiang Shibao Company Limited (Draft) and its effective date shall follow the stipulation under the Articles of Association of Zhejiang Shibao Company Limited (Draft) .	Article 34 These Rules shall form an annex to the Articles of Association of Zhejiang Shibao Company Limited and its effective date shall follow the stipulation under the Articles of Association of Zhejiang Shibao Company Limited.

The full text of the proposed amendments to the Policy for Management of Raised Proceeds is set out below. This document is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

**COMPARISON TABLE OF THE AMENDMENTS TO THE POLICY
FOR MANAGEMENT OF RAISED PROCEEDS OF
ZHEJIANG SHIBAO COMPANY LIMITED***

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
1.	<p>Article 1 In order to regulate the management, and improve the efficiency of the use, of the proceeds raised by the Company, this rule has been formulated in accordance with various laws and regulations including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules of Shenzhen Stock Exchange, Guidelines on the Regulated Operation for Companies Listed on the SME Board of Shenzhen Stock Exchange, Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements in Respect of Management and Use of Proceeds Raised by Listed Companies, and the Articles of Association of Zhejiang Shibao Company Limited after taking into account the actual circumstances of the Company.</p>	<p>Article 1 In order to regulate the management, and improve the efficiency of the use, of the proceeds raised by the Company, this rule has been formulated in accordance with various laws and regulations including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules of Shenzhen Stock Exchange, the Self-regulatory Guideline No. 1 for Companies Listed on the Shenzhen Stock Exchange – the Standardized Operation of Main Board Listed Company, Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements in Respect of Management and Use of Proceeds Raised by Listed Companies, and the Articles of Association of Zhejiang Shibao Company Limited after taking into account the actual circumstances of the Company.</p>
2.	<p>Article 2 The proceeds referred to herein are funds raised by the Company from investors through public offering of securities (including initial public offering of shares; allotment of shares, additional issuance and issuance of convertible corporate bonds, severable convertible corporate bonds with attached Warrants, corporate bonds and Warrants) and non-public issuance of securities for special purposes.</p>	<p>Article 2 The proceeds referred to herein are funds raised by the Company from investors through offering of shares and derivatives of shares for special purposes.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
3.	<p>Article 4 The proceeds raised by the Company shall be deposited in a special account (hereinafter referred to as the “Special Account”) designated by the Board for centralized management.</p> <p>If the Company has undertaken two or more fund raising activities, it shall establish separate Special Accounts for the respective proceeds of each activity.</p> <p>The Special Accounts shall not be used to hold any funds other than the proceeds or for any other purpose.</p>	<p>Article 4 The Company shall prudently select a commercial bank and open a special account for the proceeds raised (hereinafter referred to as the “Special Account”), and the proceeds raised shall be deposited in the Special Account established with the approval of the board of the directors of the Company for centralized management, which shall not be used for the deposit of non-proceeds or for other purposes.</p> <p>If the Company has undertaken two or more fund raising activities, it shall establish separate Special Accounts for the respective proceeds of each activity.</p> <p>The Special Accounts shall not be used to hold any funds other than the proceeds or for any other purpose.</p>
4.	<p>Article 5 The Company shall sign a three-party supervision agreement (hereinafter referred to as the “Agreement”) with the sponsor and the commercial bank (hereinafter referred to as the “Commercial Bank”) with which the proceeds are deposited within one month after the proceeds are in place. The Agreement shall at least contain the following:</p> <p>(1) The Company shall centrally deposit the proceeds in the Special Account;</p> <p>(2) Account numbers of the Special Accounts, the related fund raising projects and the amount of deposit;</p> <p>(3) In case the Company withdraws from the Special Account an aggregate of more than RMB40,000,000 or 50% of the total amount of raised proceeds net of issue expenses (hereinafter referred to as the “Net Proceeds”) in one time or in any consecutive 12 months, the Company and the Commercial Bank shall notify the sponsor in time;</p> <p>(4) The Commercial Bank shall issue a bank statement of account movements to the Company on a monthly basis, with a copy to the Sponsorship;</p>	<p>Article 5 The Company shall sign a three-party supervision agreement (hereinafter referred to as the “Agreement”) with the sponsor or the independent financial advisor (hereinafter collectively referred to as the the “Sponsor(s)”) and the commercial bank (hereinafter referred to as the “Commercial Bank”) with which the Proceeds are deposited within one month after the Proceeds are in place. The Agreement shall at least contain the following:</p> <p>(1) The Company shall centrally deposit the proceeds in the Special Account;</p> <p>(2) Account numbers of the Special Accounts, the related fund raising projects and the amount of deposit;</p> <p>(3) In case the Company withdraws from the Special Account an aggregate of more than RMB50,000,000 or 20% of the total amount of raised proceeds net of issue expenses (hereinafter referred to as the “Net Proceeds”) in one time or in any consecutive 12 months, the Company and the Commercial Bank shall notify the Sponsor in time;</p> <p>(4) The Commercial Bank shall issue a bank statement of account movements to the Company on a monthly basis, with a copy to the Sponsor;</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
	<p>(5) The Sponsor may inquire the information of the Special Account in the Commercial Bank at any time;</p> <p>(6) 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 the proceeds;</p> <p>(7) The rights, obligations and breach liabilities of the Company, the Commercial Bank and the Sponsor;</p> <p>(8) If the Commercial Bank fails for three times to duly issue a statement of account movements to the Sponsor or inform the sponsor of the withdrawal of a large sum of money from the Special Account, and fail to cooperate with the Sponsor in relation to the inquiry and investigation of the Special Account, the Company may terminate the Agreement and cancel the said Special Account.</p> <p>Upon the execution of the said Agreement, the Company shall timely publish an announcement on the main contents of the Agreement.</p> <p>As to Investment Projects financed with the proceeds and implemented through the Company’s holding subsidiaries, the tripartite regulatory agreement shall be entered into among the Company, the holding subsidiaries which will implement such projects, the Commercial Bank and the sponsor, and the Company and its holding subsidiaries shall be together deemed as a party.</p> <p>In case the said Agreement is terminated before the expiry of its effective period, the Company shall sign a new Agreement with relevant parties within one month from the date of termination, and shall timely make an announcement.</p>	<p>(5) The Sponsor may inquire the information of the Special Account in the Commercial Bank at any time;</p> <p>(6) 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 the proceeds;</p> <p>(7) The rights, obligations and breach liabilities of the Company, the Commercial Bank and the Sponsor;</p> <p>(8) If the Commercial Bank fails for three times to duly issue a statement of account movements to the Sponsor or inform the sponsor of the withdrawal of a large sum of money from the Special Account, and fail to cooperate with the Sponsor in relation to the inquiry and investigation of the Special Account, the Company may terminate the Agreement and cancel the said Special Account.</p> <p>Upon the execution of the said Agreement, the Company shall timely publish an announcement on the main contents of the Agreement.</p> <p>As to Investment Projects financed with the proceeds and implemented through the Company’s holding subsidiaries, the tripartite regulatory agreement shall be entered into among the Company, the holding subsidiaries which will implement such projects, the Commercial Bank and the sponsor, and the Company and its holding subsidiaries shall be together deemed as a party.</p> <p>In case the said Agreement is terminated before the expiry of its effective period, the Company shall sign a new Agreement with relevant parties within one month from the date of termination, and shall timely make an announcement.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
5.	<p>Article 7 The proceeds raised by the Company shall, in principle, be utilized in principal businesses. The Investment Projects shall not be in the form of holding of financial assets for trading and available for sale financial assets, lending to others or financial investments such as entrusted financial management, and shall not be invested, directly or indirectly, in companies which are principally engaged in trading of marketable securities.</p> <p>The Company shall not indirectly change the intended use of the proceeds by pledge, entrusted loan or other investments.</p>	<p>Article 7 The proceeds raised by the Company shall, in principle, be utilized in investment in securities, derivative principal businesses. The Investment Projects shall not be utilized in securities investment and derivative trading and other high risk profile investments, or to provide financial assistance to others, and shall not be invested, directly or indirectly, in companies which are principally engaged in trading of marketable securities.</p> <p>The Company shall not indirectly change the intended use of the proceeds by pledge, entrusted loan or other investments.</p>
6.	<p>Article 10 The Investment Projects shall be carried out according to the schedule as confirmed by the Board. The Company shall carry out inspection and supervision on the use of the proceeds, progress of projects and quality of projects and shall also establish projects files.</p> <p>The finance department of the Company shall establish and optimize relevant accounting records and original ledgers for the activities involving the use of the proceeds, and the audit department of the Company shall regularly inspect and supervise the conditions and effects of the use of proceeds.</p> <p>The Board shall fully examine the progress of the Investment Projects every semi-annually. In case the difference between the actual use of the proceeds of the Investment Projects and the estimated amounts to be used as disclosed in the latest investment plan exceeds 30%, the Company shall adjust the investment plan of the proceeds and disclose in a special report regarding the utilization of the proceeds the latest investment plan for the proceeds, the current actual progress of investments, the investment plan after adjustment and the reasons for changes in the investment plan and so on.</p>	-

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
7.	–	<p data-bbox="842 378 1355 512">Article 11 The review and approval of the board of directors and express concurring opinions issued by the independent directors, supervisory committee and the Sponsor shall be required for the Company to:</p> <p data-bbox="842 555 1355 614">(1) Replace the self-raised funds previously put into the investment project with the proceeds;</p> <p data-bbox="842 661 1355 721">(2) Conduct cash management on the temporarily idle proceeds;</p> <p data-bbox="842 768 1355 827">(3) Use idle proceeds to supplement the working capital;</p> <p data-bbox="842 874 1169 893">(4) Change the use of the proceeds;</p> <p data-bbox="842 940 1355 1000">(5) Change the implementation place of the investment project for proceeds;</p> <p data-bbox="842 1046 1075 1066">(6) Use surplus proceeds;</p> <p data-bbox="842 1112 1355 1172">(7) Applies the excessive proceeds to any project under development and new project.</p> <p data-bbox="842 1219 1355 1308">The change in the use of proceeds by the Company shall also be subjected for approval at the general meeting.</p> <p data-bbox="842 1355 1355 1515">Where any connected transaction, asset acquisition or external investment is involved, the review procedure and disclosure obligation shall be performed in accordance with relevant laws, regulations, regulatory documents.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
8.	–	<p>Article 12 Subsequent to the completion of individual or all of the Investment Projects, where the residual funds (including interest income) account for less than 10% of the net value of the proceeds, the listed company may use such proceeds subject to the first paragraph of Article 11 to perform the corresponding procedures.</p> <p>Where the residual funds (including interest income) reach or account for over 10% of the net value of the proceeds, the use of such residual funds shall also be subject to the review and approval at the general meeting.</p> <p>Where the amount of the residual funds (including interest income) is lower than RMB5 million or 1% of the net value of the proceeds, the aforementioned procedure shall be exempted. However, usage of such residual funds shall be disclosed in the annual report.</p>
9.	<p>Article 12 In case the Company decides to terminate any Investment Projects previously adopted by the Company, the Company shall scientifically select a new Investment Project as soon as possible.</p> <p>In case the Company replaces any prior self-raised funds invested in the Investment Projects with the proceeds, the replacement shall be subject to consideration and approval by the Board, and shall only be undertaken after the issue of a verification report by a registered accountant, the giving of consent by the independent directors, the supervisory committee and the sponsor, and the disclosure of the relevant information. The time of replacement shall not be more than 6 months from receipt of the proceeds.</p> <p>In case the Company has already disclosed replacement of self-raised funds with the proceeds in the offering application documents and the prior investment amount has been determined, it shall make an announcement before the replacement.</p>	<p>Article 13 In case the Company replaces any prior self-raised funds invested in the Investment Projects with the proceeds, the replacement shall be subject to a verification report by a registered accountant. The time of replacement shall not be more than 6 months from receipt of the proceeds.</p> <p>In case the Company has already disclosed replacement of self-raised funds with the proceeds in the offering application documents and the prior investment amount has been determined, it shall make an announcement before the replacement.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
10.	<p>Article 13 The Company may temporarily use the idle proceeds to make up working capital under the following conditions:</p> <p>(1) Use of raised proceeds shall not be changed covertly;</p> <p>(2) Normal progress of the investment plan of the proceeds shall not be affected;</p> <p>(3) Duration for making up working capital on an individual basis shall not exceed 12 months;</p> <p>(4) The proceeds previously used to temporarily make up working capital (if applicable) have been returned;</p> <p>(5) No risky investment has been made in the past 12 months;</p> <p>(6) The Company shall undertake that no risky investment will be made and no financial assistance will be provided to targets other than its holding subsidiaries when using idle proceeds to temporarily make up working capital;</p> <p>(7) The sponsor, the independent directors and the supervisory committee shall express their consents and make disclosure.</p> <p>The use of the proceeds temporarily used to make up working capital shall be limited to production and operation activities relating to principal businesses, and shall not be utilized directly or indirectly for placement and subscription of new shares or transactions of shares and their derivatives as well as convertible corporate bonds.</p>	<p>Article 14 The Company may temporarily use the idle proceeds to make up working capital to the extent for the production and operation activities relating to principal businesses, and shall meet the following conditions:</p> <p>(1) Use of proceeds shall not be changed covertly;</p> <p>(2) Normal progress of the investment plan of the proceeds shall not be affected;</p> <p>(3) Duration for making up working capital on an individual basis shall not exceed 12 months;</p> <p>(4) The proceeds previously used to temporarily make up working capital (if applicable) have been returned;</p> <p>(5) The Company shall undertake that no risky investment will be made when using idle proceeds to temporarily make up working capital.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
11.	<p>Article 14 The use of the idle proceeds by the Company to make up working capital shall be subject to the consideration and approval by the Board, and the Company shall make an announcement containing the followings within 2 trading days:</p> <p>(1) General information of the fund-raising activity in question, including the time for the raising of the proceeds, the amount and the plan of thereof;</p> <p>(2) Usage conditions of the proceeds;</p> <p>(3) Amount and period in which idle proceeds are used to make up working capital;</p> <p>(4) Amount of finance cost expected to be saved by supplementing working capital with idle proceeds, the reasons for the insufficiency of working capital, whether there is any act of changing the use of the proceeds in disguised form and measures to ensure that the normal operation of fund raising projects is not affected;</p> <p>(5) The risk investment made by the Company within 12 months prior to the temporary replenishment of working capital with the idle proceeds and relevant commitments in respect of no risk investment and provision of financial assistance to targets other than holding subsidiaries during the period of replenishing working capital;</p> <p>(6) Opinions expressed by the independent directors, the supervisory committee and the sponsor;</p> <p>(7) Other information as required by the Shenzhen Stock Exchange.</p> <p>Prior to the expiring date of the supplemental working capital, the Company shall return such funds to the Special Account and make an announcement within 2 trading days after the funds are returned in full.</p>	<p>Article 15 The use of the idle proceeds by the Company to make up working capital shall be subject to the consideration and approval by the Board, and the Company shall make a timely announcement containing the followings in time:</p> <p>(1) General information of the fund-raising activity in question, including the time for the raising of the proceeds, the amount and the plan of thereof;</p> <p>(2) Usage conditions of the proceeds;</p> <p>(3) Amount and period in which idle proceeds are used to make up working capital;</p> <p>(4) Amount of finance cost expected to be saved by supplementing working capital with idle proceeds, the reasons for the insufficiency of working capital, whether there is any act of changing the use of the proceeds in disguised form and measures to ensure that the normal operation of fund raising projects is not affected;</p> <p>(5) Opinions expressed by the independent directors, the supervisory committee and the sponsor;</p> <p>(6) Other information as required by the Shenzhen Stock Exchange.</p> <p>Prior to the expiring date of the supplemental working capital, the Company shall return such funds to the Special Account and make a timely announcement after the funds are returned in full.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
12.	<p>Article 15 The Company may use the temporarily idle proceeds for cash management purposes and the investment products shall not have a duration longer than 12 months and satisfy the following conditions:</p> <p>(1) The investment products shall have a high level of safety and satisfy the requirement of capital protection. The issuer of the product shall be able to provide guarantee of capital protection;</p> <p>(2) The investment products shall be of high liquidity and shall not affect the normal implementation of the investment plan of proceeds.</p> <p>The investment products shall not be pledged and the designated settlement account for the products (if applicable) shall not be used to maintain any funds other than proceeds or for any other purposes. The Company shall promptly make an announcement when it sets up or terminates a designated settlement account for the products.</p> <p>In the event that the Company uses the idle proceeds to invest in products, it should in principle, only invest in investment products issued by the Commercial Bank, subject to the consideration and approval of the Board as well as express consent by the independent directors, the supervisory committee and the sponsor. The use shall also be considered and approved by the shareholders in a general meeting if such approval is required under the Listing Rules of Shenzhen Stock Exchange; Investment in any products issued by a financial institution other than a Commercial Bank is subject to the consideration and approval by the Board, express consent of the independent directors, the supervisory committee and the sponsor as well as consideration and approval by the shareholders in a general meeting.</p>	<p>Article 16 The Company may use the temporarily idle proceeds for cash management purposes and the investment products shall not have a duration longer than 12 months and satisfy the following conditions:</p> <p>(1) The investment products shall have a high level of safety and satisfy the requirement of capital protection. The issuer of the product shall be able to provide guarantee of capital protection;</p> <p>(2) The investment products shall be of high liquidity and shall not affect the normal implementation of the investment plan of proceeds.</p> <p>The investment products shall not be pledged and the designated settlement account for the products (if applicable) shall not be used to maintain any funds other than proceeds or for any other purposes. The Company shall promptly make an announcement when it sets up or terminates a designated settlement account for the products.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
	<p>The The Company shall announce the following information within 2 trading days after the date of such board meeting:</p> <p>(1) General information of the fund-raising activity in question, including the time of the raising, the total amount and net amount raised and the investment plan;</p> <p>(2) Usage condition of the proceeds and the reasons for the idleness of the proceeds;</p> <p>(3) Amount and period in which the idle proceeds are used to invest in the products, whether there is any act of changing the use of the proceeds in disguised form, and measures to ensure that the normal operation of fund raising projects is not affected;</p> <p>(4) Method of distribution of the income, the investment scope, the level of safety and the capital-protection warranty provided by the issuer of the investment products, the risk control measures adopted by the Company to guarantee the safety of the funds, etc.;</p> <p>(5) Opinions expressed by the independent directors, the supervisory committee and the sponsor.</p> <p>In case there is any deterioration in the financial position of the issuer of the products or the invested products are exposed to material adverse factors such as loss upon initial disclosure, the Company shall promptly disclose and announce the risk thereof as well as the risk control measures implemented or intended to be implemented to ensure the safety of its funds.</p>	<p>In the event that the Company uses the temporarily idle proceeds for cash management purposes, the Company shall timely announce the following information after the date of such board meeting.</p> <p>(1) General information of the fund-raising activity in question, including the time of the raising, the total amount and net amount raised and the investment plan;</p> <p>(2) Usage condition of the proceeds and the reasons for the idleness of the proceeds;</p> <p>(3) Amount and period in which the idle proceeds are used to invest in the products, whether there is any act of changing the use of the proceeds in disguised form, and measures to ensure that the normal operation of fund raising projects is not affected;</p> <p>(4) Method of distribution of the income, the investment scope, the level of safety and the capital-protection warranty provided by the issuer of the investment products, the risk control measures adopted by the Company to guarantee the safety of the funds, etc.;</p> <p>(5) Opinions expressed by the independent directors, the supervisory committee and the sponsor.</p> <p>In case there is any deterioration in the financial position of the issuer of the products or the invested products are exposed to material adverse factors such as loss, the Company shall promptly disclose and announce the risk thereof as well as the risk control measures implemented or intended to be implemented to ensure the safety of its funds.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
13.	<p>Article 16 The excess (hereinafter referred to as the “Excess Proceeds”) of the net proceeds actually raised by the Company over the estimated amount of proceeds shall be used in the following order of priority taking into account the actual production and operation needs of the Company and after consideration and approval by the Board and the shareholders in a general meeting:</p> <p>(1) making up the shortfall in the funds used to finance the Investment Projects;</p> <p>(2) financing projects in construction and new projects;</p> <p>(3) repaying bank borrowings;</p> <p>(4) temporarily making up working capital;</p> <p>(5) conducting cash management;</p> <p>(6) permanently making up working capital.</p> <p>The Excess Proceeds shall be deposited in Special Accounts before use.</p>	<p>Article 17 The excess (hereinafter referred to as the “Excess Proceeds”) of the net proceeds actually raised by the Company over the estimated amount of proceeds shall be deposited in Special Accounts and used in the following order of priority taking into account the actual production and operation needs of the Company and after consideration and approval by the Board and the shareholders in a general meeting:</p> <p>(1) making up the shortfall in the funds used to finance the Investment Projects;</p> <p>(2) financing projects in construction and new projects;</p> <p>(3) repaying bank borrowings;</p> <p>(4) temporarily making up working capital;</p> <p>(5) conducting cash management;</p> <p>(6) permanently making up working capital.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
14.	<p>Article 17 The use of the Excess Proceeds by the Company to finance projects in construction and new projects shall be carried out according to the progress of such projects. The subsidiaries carrying out the projects shall establish Special Accounts for proceeds management. The use of the Excess Proceeds by the Company for capital increase in any subsidiary shall be carried out according to Article 19 of this rule.</p> <p>In case any excess proceeds are to be used by the Company to finance any projects in construction and new projects, the sponsor and the independent directors shall express their opinions on such projects. The use is also subject to the consideration and approval by the shareholders in a general meeting if such approval is required under the Listing Rules of Shenzhen Stock Exchange.</p> <p>The Company shall comply with the relevant information disclosure obligations under the Listing Rules of Shenzhen Stock Exchange when it uses the Excess Proceeds to finance any projects in construction and new projects.</p>	<p>Article 18 The use of the Excess Proceeds by the Company to finance projects in construction and new projects shall be carried out according to the progress of such projects.</p> <p>In case any excess proceeds are to be used by the Company to finance any projects in construction and new projects, the Sponsor and the independent directors shall express their opinions on such projects. Where any connected transaction, asset acquisition or external investment is involved, the review procedure and disclosure obligation shall be performed in accordance with the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and relevant rules.</p>
15.	<p>Article 18 The requirements set out in Articles 13, 14 and 15 of this rule shall apply with respect to the use of Excess Proceeds by the Company to conduct cash management or temporarily make up working capital.</p>	-

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
16.	<p>Article 19 The use of the Excess Proceeds to permanently make up working capital or repay bank borrowings is subject to the consideration and approval by the shareholders in a general meeting, and on line voting shall be provided. The express consent of the independent directors and the sponsor shall be disclosed and the following requirements shall be complied with:</p> <p>(1) The Company has not carried out any risky investment such as securities investment and provided any financial assistance to targets other than its holding subsidiaries in the past 12 months;</p> <p>(2) The Company shall undertake and disclose its undertaking that no risky investment will be carried out and no financial assistance to targets other than its holding subsidiaries will be provided within 12 months after repaying its bank borrowings or making up its working capital;</p> <p>(3) The Company shall repay its bank borrowings or make up its working capital according to its actual needs, and the aggregate amount used therefor in every 12 months shall not exceed 30% of the aggregate Excess Proceeds.</p>	<p>Article 19 The use of the Excess Proceeds to permanently make up working capital or repay bank borrowings is subject to the consideration and approval by the shareholders in a general meeting. The express consent of the independent directors and the sponsor shall be disclosed and the following requirements shall be complied with:</p> <p>(1) The Company shall undertake and disclose its undertaking that no risky investment will be carried out and no financial assistance to targets other than its holding subsidiaries will be provided within 12 months after making up its working capital;</p> <p>(2) The Company shall repay its bank borrowings or make up its working capital according to its actual needs, and the aggregate amount used therefor in every 12 months shall not exceed 30% of the aggregate Excess Proceeds.</p>
17.	<p>Article 21 Change of use of the proceeds by the Company is subject to the consideration and approval by the Board and the shareholders' general meeting.</p>	-
18.	<p>Article 22 The Company shall in principle invest the proceeds after its use has been changed in main businesses.</p>	-

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
19.	<p>Article 24 where the Company plans to change the use of proceeds, it shall announce the following information within 2 trading days after submission to the Board for consideration:</p> <p>(1) Basic information of the original project and specific reasons for the alteration;</p> <p>(2) Basic information of the new project, feasibility analysis and risk warning;</p> <p>(3) Investment plan for the new project;</p> <p>(4) Explanation on the approval obtained or to be obtained from the relevant authorities (if applicable) in respect of the new project;</p> <p>(5) Opinions of the independent directors, the supervisory committee and the sponsor on change of the investment project;</p> <p>(6) Explanation that changing the use of the proceeds is subject to the consideration by the shareholders in general meeting;</p> <p>(7) Other information as required by the Shenzhen Stock Exchange.</p> <p>New projects involving connected transactions, asset acquisition or external investments shall also be disclosed according to the requirements of the relevant rules of the Shenzhen Stock Exchange.</p>	-

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
20.	<p>Article 25 If the Company changes the use of proceeds to acquire assets (including interests) of its controlling shareholder and de facto controller, it shall ensure that peer competition can be avoided and connected transactions can be reduced effectively after the acquisition.</p> <p>The Company shall disclose the reasons for conducting transactions with its controlling shareholder or de facto controller, the pricing policy and the pricing basis for connected transactions, the impact of connected transactions on the Company and the solution for the relevant issues.</p>	<p>Article 22 If the Company changes the use of proceeds to acquire assets (including interests) of its controlling shareholder and de facto controller, it shall ensure that peer competition can be avoided and connected transactions can be reduced effectively after the acquisition.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
21.	<p>Article 26 If the Company intends to transfer externally or replace the Investment Projects implemented during the last 3 years (excluding transfer or replacement of Investment Projects as part of the plan for restructuring of the Company's major assets), such proposal shall be submitted to the Board for consideration and the Company shall announce the following information within 2 trading days after the approval of the proposal by the Board, and such proposal shall be submitted to the general meeting for consideration by the shareholders:</p> <p>(1) The reasons for external transfer or replacement of Investment Project;</p> <p>(2) The amount of the proceeds already used in the investment of the project;</p> <p>(3) The stage of completion and the realized benefits of the project;</p> <p>(4) Basic information, a feasibility analysis and risk warnings (if applicable) regarding the substituted project;</p> <p>(5) The basis for determination of the price and relevant gains of the transfer or replacement;</p> <p>(6) The opinions of the independent directors, the supervisory committee and sponsor in respect of the transfer or replacement of the Investment Project;</p> <p>(7) Such other information as required by the Shenzhen Stock Exchange.</p> <p>The Company shall pay close attention to the collection and use of the consideration for the transfer, the change of ownership for the substituted assets, and the ongoing operation of the substituted assets.</p>	-

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
22.	<p>Article 27 Change of the place of implementation of the Investment Projects shall be subject to the consideration and approval by the Board, and shall be announced within 2 trading days with explanation on the changes, the reasons, the impact on the implementation of the Investment Projects as well as the opinions given by the sponsor(s).</p>	<p>Article 23 Change of the place of implementation of the Investment Projects shall be subject to the consideration and approval by the Board, and shall be announced in time with explanation on the changes, the reasons, the impact on the implementation of the Investment Projects as well as the opinions given by the sponsor(s).</p>
23.	<p>Article 29 After the completion of a single Investment Project, the use by the Company of the remaining proceeds (including interest revenues) of the said project for other Investment Projects shall be subject to the approval of the Board and the express consent from the sponsors.</p> <p>In the event that the remaining proceeds (including interest revenues) is less than RMB1,000,000 or 1% of the committed investment amount of the proceeds of the project, the use of such proceeds may be exempted from the procedure in the preceding article but the application of such proceed shall be disclosed in the annual report.</p> <p>If the Company uses the remaining proceeds (including interest revenues) of the project for projects other than Investment Projects (including supplement of working capital), it shall comply with the corresponding procedure and disclosure obligations in accordance with Articles 21 and 24.</p> <p>Prior to the completion of all fund raising projects, in case the Company has spare proceeds as a result of the termination or completion of some of the fund raising projects, the Company may change the application of such spare proceeds as permanent supplemental working capital under the following conditions:</p> <p>(1) The proceeds have been acquired for more than one year;</p> <p>(2) The implementation of other fund raising projects will not be affected;</p>	<p>Article 25 Prior to the completion of all fund raising projects, in case the Company has spare proceeds as a result of the termination, the Company may change the application of such spare proceeds as permanent supplemental working capital under the following conditions:</p> <p>(1) The proceeds have been acquired for more than one year;</p> <p>(2) The implementation of other fund raising projects will not be affected;</p> <p>(3) The approval procedures and the obligation for information disclosure in respect of the change of application of the proceeds shall be complied with.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
	<p>(3) The approval procedures and the obligation for information disclosure in respect of the change of application of the proceeds shall be complied with;</p> <p>(4) The Company has not engaged in any high risk investment, such as securities investment, and provided any financial assistance to targets other than its holding subsidiaries over the past 12 months;</p> <p>(5) The Company shall undertake not to engage in any high risk investment such as securities investment and provide any financial assistance to targets other than its holding subsidiaries within 12 months after the supplement of working capital and make public disclosure.</p>	
24.	<p>Article 30 where the remaining proceeds (including interest revenues) accounts for more than 10% of the net proceeds after all Investment Projects are completed, the Company shall meet the following conditions when using remaining proceeds:</p> <p>(1) Opinions of the independent directors and the supervisory committee;</p> <p>(2) Express consent of the sponsor;</p> <p>(3) Consideration and approval by the Board and shareholders in general meetings.</p> <p>where the remaining proceeds (including interest revenues) are less than 10% of the net proceeds, the use of such proceeds shall be subject to approval of the Board and express consent of the sponsor</p> <p>In the event that the remaining proceeds (including interest revenues) is less than RMB5 million or 1% of net proceeds, the use of such proceeds may be exempted from the aforesaid procedures but shall be disclosed in the annual report.</p>	-

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
25.	<p>Article 32 The Company shall make true, accurate and complete disclosure of the actual use of proceeds. In relation to the use of the proceeds in the year, the Board shall make overall review on the progress of Investment Projects and issue “Special Report relating to Deposit and Actual Use of the Proceeds” and disclose the relevant information every semi-annually. During the annual audit, the Company shall engage an accounting firm to issue a verification report on the deposit and use of the proceeds.</p> <p>The Company shall provide specific explanation on the difference between the actual investment status and the investment plan of the Investment Project. when there is investment in products by use of idle proceeds, the Company shall disclose information, including revenue for the reporting period, share of investment as at the end of the reporting period, contracting parties, product name and maturity term.</p> <p>The accounting firm shall provide reasonable guarantee and verification conclusion on whether the report of the Board is made in accordance with “Shenzhen Stock Exchange Guidelines on the Regulated Operation for Companies Listed on the Small and Medium Enterprises Board” and the relevant rules and formats and whether it has truthfully reflected the actual custody and use of proceeds in the year.</p> <p>If the verification opinion is “Qualified”, “Negative” or “Not possible to issue opinion”, the Board shall analyze the reason why the accounting firm has made such an opinion, put forward remedial measures and disclose them in the annual report.</p>	<p>Article 27 The Company shall make true, accurate and complete disclosure of the actual use of proceeds. In relation to the use of the proceeds in the year, the Board shall make overall review on the progress of Investment Projects and issue “Special Report relating to Deposit and Actual Use of the Proceeds” and disclose the relevant information every semi-annually. During the annual audit, the Company shall engage an accounting firm to issue a verification report on the deposit and use of the proceeds.</p> <p>The Company shall provide specific explanation on the difference between the actual investment status and the investment plan of the Investment Project. As regards an investment project for the proceeds, where the difference between the proceeds actually used during the year and the amount estimated in the investment plan of the proceeds as previously released in the latest disclosure is greater than 30%, the Company shall adjust the investment plan of the proceeds and disclose in the specific report and regular report such information as the annual investment plan of the proceeds last time, actual progress of the investment project, the projected investment plan by year upon revision and the reasons for relevant changes in the investment plan, etc. The accounting firm shall provide reasonable guarantee and verification conclusion on whether the report of the Board is made in accordance with Shenzhen Stock Exchange relevant rules and whether it has truthfully reflected the actual custody and use of proceeds in the year.</p> <p>If the verification opinion is “Qualified”, “Negative” or “Not possible to issue opinion”, the Board shall analyze the reason why the accounting firm has made such an opinion, put forward remedial measures and disclose them in the annual report.</p>

S/N	Original Article of policy for management of raised proceeds	Revised Article of policy for management of raised proceeds
26.	<p>Article 34 The sponsor and the Company shall specify in the sponsor agreement that the sponsor shall conduct on-site investigation on the custody and use of proceeds of the Company at least once every semi-annually. where any serious non-compliance or important risk in the Company's management of proceeds is found in the investigation, the sponsor shall duly report to the stock exchange. At the end of each accounting year, the sponsor shall issue and disclose a specific review report on the deposit and use of the proceeds of the Company for the year.</p> <p>In the event that the deposit and use of the proceeds of the Company are given a verification conclusion of "Qualified conclusion", "Negative conclusion" or "Unable to form a conclusion" by the accounting firm, the sponsor shall conduct careful analysis on the reasons for the above verification conclusion by the accounting firm and express a clear opinion in its review report.</p>	<p>Article 29 The sponsor and the Company shall specify in the sponsor agreement that the sponsor shall conduct on-site investigation on the custody and use of proceeds of the Company at least once every semi-annually. At the end of each accounting year, the sponsor shall issue and disclose a specific review report on the deposit and use of the proceeds of the Company for the year.</p> <p>In the event that the deposit and use of the proceeds of the Company are given a verification conclusion of "Qualified conclusion", "Negative conclusion" or "Unable to form a conclusion" by the accounting firm, the sponsor shall conduct careful analysis on the reasons for the above verification conclusion by the accounting firm and express a clear opinion in its review report.</p>