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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your Shares in China Galaxy Securities Co., Ltd., you should at once hand this circular and the accompanying form of proxy 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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**中国银河证券股份有限公司**  
**CHINA GALAXY SECURITIES CO., LTD.**

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

**(Stock Code: 06881)**

**AMENDMENTS TO THE MEASURES FOR THE MANAGEMENT OF  
PROCEEDS AND THE MANAGEMENT SYSTEM FOR STANDARDIZING FUND  
TRANSFER WITH RELATED PARTIES OF THE COMPANY  
ELECTION OF MS. LI HUI AS A NON-EXECUTIVE DIRECTOR OF THE  
FOURTH SESSION OF THE BOARD OF THE COMPANY  
REMUNERATION PLANS FOR MR. CHEN GONGYAN,  
MS. CHEN JING AND MS. QU YANPING FOR 2021  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023**

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The EGM of China Galaxy Securities Co., Ltd. will be held at Conference Room M1919, Qinghai Finance Building, Building No. 1, No. 8 Xiyong Street, Fengtai District, Beijing, the PRC on Friday, 10 March 2023 at 10:00 a.m.. The notice convening the EGM is set out on pages 8 to 10 of this circular.

If you intend to appoint a proxy to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited (for H Shareholders) and the Office of the Board of Directors of the Company (for A Shareholders) not less than 24 hours before the time appointed for holding the EGM (i.e. no later than 10:00 a.m. on Thursday, 9 March 2023) or any adjournment thereof in person or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

20 February 2023

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## DEFINITIONS

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

“A Share(s)”	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Shanghai Stock Exchange and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	China Galaxy Securities Co., Ltd., a joint stock company with limited liability incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Stock Exchange (Stock Code: 06881) and A Shares are listed on the Shanghai Stock Exchange (Stock Code: 601881)
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the first extraordinary general meeting of 2023 of the Company to be held at Conference Room M1919, Qinghai Finance Building, Building No. 1, No. 8 Xiyiing Street, Fengtai District, Beijing, the PRC on Friday, 10 March 2023 at 10:00 a.m.
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan region

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## DEFINITIONS

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“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company, including A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

*In case of any discrepancy between the English and Chinese versions of this circular, the Chinese version shall prevail.*

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## LETTER FROM THE BOARD

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**中国银河证券股份有限公司**  
**CHINA GALAXY SECURITIES CO., LTD.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 06881)**

**The Board of Directors:**

*Executive Directors:*

Mr. CHEN Liang (*Chairman*)

Mr. WANG Sheng (*Vice Chairman and President*)

*Registered Office in the PRC:*

No. 101, 7/F-18/F

Building No.1, No. 8 Xiying Street

Fengtai District, Beijing, the PRC

*Non-executive Directors:*

Mr. YANG Tijun

Ms. LIU Chang

Mr. LIU Zhihong

Mr. JIANG Yuesheng

*Principal Place of Business in Hong Kong:*

20th Floor, Wing On Centre

111 Connaught Road Central

Sheung Wan, Hong Kong

*Independent Non-executive Directors:*

Mr. LIU Ruizhong

Mr. WANG Zhenjun

Ms. LIU Chun

Mr. LAW Cheuk Kin Stephen

20 February 2023

*To the Shareholders*

Dear Sir or Madam,

**AMENDMENTS TO THE MEASURES FOR THE MANAGEMENT OF  
PROCEEDS AND THE MANAGEMENT SYSTEM FOR STANDARDIZING FUND  
TRANSFER WITH RELATED PARTIES OF THE COMPANY  
ELECTION OF MS. LI HUI AS A NON-EXECUTIVE DIRECTOR OF THE  
FOURTH SESSION OF THE BOARD OF THE COMPANY  
REMUNERATION PLANS FOR MR. CHEN GONGYAN,  
MS. CHEN JING AND MS. QU YANPING FOR 2021  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**INTRODUCTION**

On behalf of the Board of Directors, I invite you to attend the EGM to be held at Conference Room M1919, Qinghai Finance Building, Building No. 1, No. 8 Xiying Street, Fengtai District, Beijing, the PRC on Friday, 10 March 2023 at 10:00 a.m..

The purpose of this circular is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions or abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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### **BUSINESSES TO BE CONSIDERED AT THE EGM**

Ordinary resolutions will be proposed at the EGM to approve: (1) the amendments to the *Measures for the Management of Proceeds* of the Company, (2) the amendments to the *Management System for Standardizing Fund Transfer with Related Parties* of the Company, (3) the election of Ms. LI Hui as a non-executive Director of the fourth session of the Board of the Company, (4) the remuneration plans for Mr. CHEN Gongyan, Ms. CHEN Jing and Ms. QU Yanping for 2021, and a special resolution will be proposed at the EGM to approve: (5) the amendments to the Articles of Association.

#### **1. Amendments to the *Measures for the Management of Proceeds* of the Company**

In accordance with the *Securities Law of the People's Republic of China*, the *Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds by Listed Companies (2022 Revision)* of the CSRC and the *Guidelines for Self-regulation of Listed Companies on the Shanghai Stock Exchange No. 1 – Regulation of Operations* in relation to the relevant systems for the management and use of proceeds, it is proposed to amend the *Measures for the Management of Proceeds* of the Company, details of which are set out in Appendix I to this circular.

#### **2. Amendments to the *Management System for Standardizing Fund Transfer with Related Parties* of the Company**

In accordance with the *Securities Law of the People's Republic of China* and the *Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements of Fund Transfer and External Guarantee of Listed Companies* of the CSRC in relation to the management system of fund transfer with related parties, it is proposed to amend the *Management System for Standardizing Fund Transfer with Related Parties* of the Company, details of which are set out in Appendix II to this circular.

#### **3. Election of Ms. LI Hui as a non-executive Director of the fourth session of the Board of the Company**

On 29 December 2022, the Board considered and approved the proposal in relation to the nomination of Ms. LI Hui as a candidate for non-executive director of the Company. The proposal is hereby submitted to the EGM for Shareholders' consideration and approval.

The biographical details of Ms. LI Hui are set out below:

**LI Hui**, female, born in May 1969, is a certified public accountant. She graduated from Central Institute of Banking and Finance (currently known as Central University of Finance and Economics) in June 1991 majoring in national economic management with a bachelor's degree in economics, and obtained a master's degree in engineering from Beijing University of Aeronautics & Astronautics in January 2003. From July 1991 to December 1998, she consecutively served as a cadre, assistant accountant and auditor of the Audit Bureau of China State Shipbuilding Corporation. From December 1998 to July 2008, she worked at the Commission for Science, Technology and Industry for National Defense, consecutively serving as a principal staff member, deputy director and director-level investigator and

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## LETTER FROM THE BOARD

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researcher of the Finance Department. From July 2008 to March 2010, she served as the director of the Finance and Audit Department of the State Administration of Science, Technology and Industry for National Defense. Since March 2010, she has served consecutively as the senior manager and team head of the Finance Department and the managing director of China Investment Corporation, and during the period from September 2011 to March 2017, she also served as a supervisor of China Investment Securities Co., Ltd..

Ms. LI Hui will enter into a letter of appointment with the Company. The term of office of Ms. LI Hui will commence from the date of approval by the Shareholders at the EGM, and end on the expiry of the term of the fourth session of the Board. She is eligible for re-election upon expiry of her term. Ms. LI Hui will not receive any director's fee or remuneration from the Company.

Save as disclosed above, Ms. LI Hui has not held any directorships in other listed public companies in the last three years, does not hold any other position with the Company or any of its subsidiaries, and is not connected with any directors, senior management or substantial or controlling Shareholders of the Company. Ms. LI Hui does not have any interest in the Shares within the meaning of Part XV of the SFO.

Further, there is nothing in respect of the election of Ms. LI Hui that needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, nor is there anything that needs to be brought to the attention of the Shareholders.

#### **4. Remuneration Plans for Mr. CHEN Gongyan, Ms. CHEN Jing and Ms. QU Yanping for 2021**

According to the Articles of Association, the remuneration of Mr. CHEN Gongyan, the former Chairman of the Board, Ms. CHEN Jing, the former Chairperson of the Supervisory Committee, and Ms. QU Yanping, the current Chairperson of the Supervisory Committee, shall be submitted to the general meeting for Shareholders' consideration and approval. Pursuant to the remuneration administrative measures of the Company and based on the performance appraisal results of the relevant Directors and Supervisors, the remuneration plans for Mr. CHEN Gongyan, Ms. CHEN Jing and Ms. QU Yanping for 2021 are set out below:

- (1) The total remuneration of Mr. CHEN Gongyan, the former Chairman of the Board, was RMB3,815,416 (before tax).
- (2) The total remuneration of Ms. CHEN Jing, the former Chairperson of the Supervisory Committee, was RMB3,628,632 (before tax).
- (3) The total remuneration of Ms. QU Yanping, the current Chairperson of the Supervisory Committee, was RMB1,451,452 (before tax).

The remuneration plans are hereby proposed to the EGM for Shareholders' consideration and approval.

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## LETTER FROM THE BOARD

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### **5. Amendments to the Articles of Association**

The Company has recently received the approvals in relation to its new business qualifications (Zheng Jian Xu Ke [2022] No. 2170 and Zheng Jian Xu Ke [2022] No. 2941) from the CSRC. The CSRC has approved the qualifications of the Company to engage in the businesses of market making and trading of listed securities and market making of stock options. Pursuant to the approvals, the Company proposes to include “market making and trading of listed securities” and “market making of stock options” in its scope of business and make corresponding amendments to the Articles of Association.

The proposed amendments to the Articles of Association are hereby proposed to the EGM for Shareholder’s consideration and approval. It is also proposed to the EGM to authorize the Board who may delegate to the management or other persons of the Company the authority to deal with matters relating to the change of business scope, registration with the department in charge of industrial and commercial administration and change of license for operating securities and futures business, etc..

The details of the proposed amendments to the Articles of Association are set out in Appendix III to this circular.

### **THE EGM**

The notice convening the EGM and the form of proxy are enclosed herewith.

If you intend to appoint a proxy to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited (for H Shareholders) or the Office of the Board of Directors of the Company (for A Shareholders) not less than 24 hours before the time appointed for holding the EGM (i.e. no later than 10:00 a.m. on Thursday, 9 March 2023) or any adjournment thereof in person or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

### **VOTING BY POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. As such, the chairman of the EGM will exercise his power under the Articles of Association to demand a poll for the resolutions proposed at the EGM.



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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board considers that the resolutions proposed at the EGM are in the interests of the Company and its Shareholders as a whole. As such, the Board recommends you to vote in favour of the resolutions proposed at the EGM.

Yours faithfully,  
By Order of the Board  
**China Galaxy Securities Co., Ltd.**  
**CHEN Liang**  
*Chairman and Executive Director*

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

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(A joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 06881)

### NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

**NOTICE IS HEREBY GIVEN** that the first extraordinary general meeting of 2023 (the “EGM”) of China Galaxy Securities Co., Ltd. (the “Company”) will be held at Conference Room M1919, Qinghai Finance Building, Building No. 1, No. 8 Xiying Street, Fengtai District, Beijing, the PRC on Friday, 10 March 2023 at 10:00 a.m. for the following purposes:

#### ORDINARY RESOLUTIONS

1. To consider and approve the amendments to the *Measures for the Management of Proceeds* of the Company;
2. To consider and approve the amendments to the *Management System for Standardizing Fund Transfer with Related Parties* of the Company;
3. To consider and approve the election of Ms. LI Hui as a non-executive Director of the fourth session of the Board of the Company;
4. To consider and approve the remuneration plans for Mr. CHEN Gongyan, Ms. CHEN Jing and Ms. QU Yanping for 2021:
  - 4.01 To consider and approve the remuneration plan for Mr. CHEN Gongyan for 2021;
  - 4.02 To consider and approve the remuneration plan for Ms. CHEN Jing for 2021;
  - 4.03 To consider and approve the remuneration plan for Ms. QU Yanping for 2021; and

#### SPECIAL RESOLUTION

5. To consider and approve the amendments to the articles of association of the Company.

By Order of the Board  
**China Galaxy Securities Co., Ltd.**  
**CHEN Liang**  
*Chairman and Executive Director*

Beijing, the PRC, 20 February 2023

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

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*Notes:*

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice of EGM will be voted by poll. Results of the poll voting will be published on the Company's website at [www.chinastock.com.cn](http://www.chinastock.com.cn) and the HKExnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) after the EGM.
2. Any shareholder entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
3. In order to be valid, the form of proxy together with the notarized power of attorney or other documents of authorization, if any, must be completed and returned to the Office of the Board of Directors of the Company (for A Shareholders) or the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited (for H Shareholders), not less than 24 hours before the time appointed for holding the EGM (i.e. no later than 10:00 a.m. on 9 March 2023) or any adjournment thereof. Computershare Hong Kong Investor Services Limited is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof should he/she so wish.
4. The H Share register of members of the Company will be closed, for the purpose of determining the entitlement of holders of H Shares to attend the EGM, from Monday, 6 March 2023 to Friday, 10 March 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 3 March 2023. The Company will announce separately on the Shanghai Stock Exchange details of the eligibility of the A Shareholders for attending the EGM.
5. Where there are joint holders of any shares, the one whose name stands first on the register of members shall be entitled to attend and vote at the EGM in respect of such shares.
6. Shareholder or his/her proxy shall produce proof of identity when attending the EGM:
  - (a) Legal representatives of legal person shareholders who attend the meeting shall produce their own identity cards and effective proof of their capacity as legal representatives. Proxies of legal person shareholders shall produce their own identity cards and the form of proxy duly signed by the legal representatives or the board of directors or other governing body of the legal person shareholders according to laws; and
  - (b) Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce effective proof of identity and form of proxy.
7. The EGM is expected to be held for less than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
8. The Office of the Board of Directors of the Company is located at Qinghai Finance Building, Building No. 1, No. 8 Xiyong Street, Fengtai District, Beijing, the PRC.

Tel. no.: 86 (10) 8092 9800

Fax no.: 86 (10) 8092 6725

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

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*As at the date of this notice, the executive directors of the Company are Mr. CHEN Liang (Chairman) and Mr. WANG Sheng (Vice Chairman and President); the non-executive directors are Mr. YANG Tijun, Ms. LIU Chang, Mr. LIU Zhihong and Mr. JIANG Yuesheng; and the independent non-executive directors are Mr. LIU Ruizhong, Mr. WANG Zhenjun, Ms. LIU Chun and Mr. LAW Cheuk Kin Stephen.*

The proposed amendments to the Measures for the Management of Proceeds are set out below:

Article Before Amendment	Article After Amendment
<b>Chapter I General Provisions</b>	<b>Chapter I General Provisions</b>
<p>Article 1 In order to regulate the management and use of the proceeds of China Galaxy Securities Co., Ltd. (the “Company”) for the protection of the legitimate rights and interests of all shareholders, these Measures are formulated pursuant to the <i>Company Law of the People’s Republic of China</i> (“Company Law”), the <i>Securities Law of the People’s Republic of China</i> (the “Securities Law”), the <i>Measures for the Administration of Initial Public Offering and Listing of Shares</i>, the <i>Measures for the Administration of Securities Issuance by Listed Companies</i>, the <i>Rules on the Report on the Use of Previously Raised Funds</i>, the <i>Notice on Further Regulation of the Use of Proceeds by Listed Companies</i>, the <i>Rules Governing the Listing of Shares on the Shanghai Stock Exchange</i>, the <i>Rules for the Administration of Proceeds of the Companies Listed on the Shanghai Stock Exchange</i> and other laws and regulations and the Articles of Association.</p> <p>The proceeds mentioned in these Measures refer to the funds raised by the Company from domestic investors through the public issuance of A shares (including the initial public offering of shares, issuance of new shares after listing, issuance of convertible corporate bonds) or other public means permitted under laws and regulations and the Articles of Association and for specific purposes, as well as the funds raised from domestic investors through non-public offering of shares after listing, but exclude the funds raised by the Company from the implementation of its share incentive scheme.</p>	<p>Article 1 In order to regulate the management and use of the proceeds of China Galaxy Securities Co., Ltd. (the “Company”) for the protection of the legitimate rights and interests of all shareholders, these Measures are formulated pursuant to the <i>Company Law of the People’s Republic of China</i> (“Company Law”), the <i>Securities Law of the People’s Republic of China</i> (the “Securities Law”), the <i>Measures for the Administration of Initial Public Offering and Listing of Shares</i>, the <i>Measures for the Administration of Securities Issuance by Listed Companies</i>, the <i>Rules on the Report on the Use of Previously Raised Funds</i>, <b><u>the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds by Listed Companies (2022 Revision)</u></b>, the <i>Rules Governing the Listing of Shares on the Shanghai Stock Exchange</i>, <b><u>the Guidelines for Self-regulation of Listed Companies on the Shanghai Stock Exchange No. 1 – Regulation of Operations</u></b> and other laws and regulations and the Articles of Association.</p> <p><b><u>Article 2</u></b> The proceeds mentioned in these Measures refer to the funds raised by the Company <b><u>from investors through the issuance of shares and their derivatives and applied for specific purposes.</u></b></p> <p><b><u>The surplus proceeds mentioned in these Measures refers to any portion of the actual net proceeds in excess of the amount of proceeds proposed to be raised.</u></b></p>

<p>Article 2 The proceeds shall only be used for investment purposes disclosed to the public by the Company and the investment projects to be financed with the proceeds which have been resolved or approved by the general meeting and the board of directors. The board of directors of the Company shall formulate detailed plans for the use of the proceeds so as to ensure standardised, open and transparent use thereof.</p>	<p>Article <b><u>3</u></b> <b><u>The proceeds raised by the Company shall be used as contemplated in the prospectus or other public offering documents. Any change to the use of proceeds as contemplated in the prospectus or other public offering documents by the Company must be approved by shareholders by way of resolution at a general meeting.</u></b></p>
<p>Article 3 After the proceeds are received, capital verification procedures shall be carried out in a timely manner by the Company, and a capital verification report shall be prepared by an accounting firm qualified for securities business. The Company shall commence the utilisation of the proceeds according to the plan for the use of proceeds as set forth in information disclosure documents such as the prospectus and offering circular in timely manner.</p>	<p>Article <b><u>4</u></b> After the proceeds are received, capital verification procedures shall be carried out in a timely manner by the Company, and a capital verification report shall be prepared by an accounting firm <b><u>that meets the requirements of the Securities Law.</u></b></p>
<p>Article 4 The board of directors of the Company shall disclose the use of the proceeds in a timely manner pursuant to the requirements of the Company Law, the Securities Law, the listing rules of the place where the Company’s shares are listed and relevant laws and regulations.</p> <p>The Company shall use the proceeds according to the plan and schedule for the use of proceeds as committed in the prospectus, offering circular and other information disclosure documents. The use of the proceeds announced by the Company shall not be changed without a resolution or authorisation made by the Company’s general meeting in accordance with law and the approval of the relevant securities regulatory authority (if necessary).</p> <p>Where the investment project financed with the proceeds is carried out by the Company’s subsidiaries or any other entities controlled by the Company, the Company shall ensure that such subsidiaries and entities observe these Measures.</p>	<p>Article <b><u>5</u></b> The board of directors of the Company shall disclose the use of the proceeds in a timely manner pursuant to the requirements of the Company Law, the Securities Law, the listing rules of the place where the Company’s shares are listed and relevant laws and regulations.</p> <p>Article 6 <b><u>The Company shall use the proceeds in a prudent manner to ensure that the use of the proceeds is consistent with the commitments made in the offering application documents, and shall not change the investment of the proceeds at will.</u></b></p> <p><b><u>The Company shall truthfully, accurately and completely disclose the actual use of proceeds. An announcement shall be made in a timely manner in the event that the normal progress of the proceeds investment plan is seriously affected.</u></b></p> <p>Where the investment project financed with the proceeds is carried out by the Company’s subsidiaries or any other entities controlled by the Company, the Company shall ensure that such subsidiaries and entities observe these Measures.</p>

**APPENDIX I                      PROPOSED AMENDMENTS TO THE MEASURES FOR  
THE MANAGEMENT OF PROCEEDS**

<p>Article 5 Directors, supervisors and senior management shall effectively perform their duties to strengthen the supervision of the proceeds and ensure the truthfulness of information disclosure.</p>	<p>=</p>
<p>Article 6 The amount of proceeds of the Company and the use thereof shall comply with the following requirements:</p> <p>(I) The amount of proceeds and the investment projects financed thereby are compatible with the existing scale of operation, financial position, technical level and management capability of the Company.</p> <p>(II) The proceeds must be deposited in the special account decided by the board of directors of the Company.</p>	<p>Article <u>7</u> The amount of proceeds of the Company and the use thereof shall comply with the following requirements:</p> <p>(I) The amount of proceeds and the investment projects financed thereby are compatible with the existing scale of operation, financial position, technical level and management capability of the Company.</p> <p>(II) The proceeds must be deposited in the special account <b>(the “Special Account”)</b> decided by the board of directors of the Company.</p>
<p><b>Chapter II Deposit of the Proceeds</b></p>	<p><b>Chapter II Deposit of the Proceeds</b></p>
<p>Article 8 The establishment of a Special Account for proceeds shall be approved by the board of directors and the establishment of such account and materials shall be reported to the CSRC for filing when the Company applies for fundraising. The number of the Special Accounts for proceeds shall not exceed the number of investment projects financed with the proceeds.</p>	<p>Article <u>9</u> <b><u>The Company shall carefully select a commercial bank for opening a Special Account for proceeds. The proceeds must be deposited into the Special Account approved for opening by the board of directors for central management, and the Special Account shall not keep any funds other than the proceeds or be used for other purposes. In the event of financing more than twice, the Company shall set up separate Special Accounts for proceeds. The surplus proceeds shall also be deposited into the Special Account for proceeds for management.</u></b></p>

<p>Article 9 The Company shall open a Special Account for the deposit of proceeds with the bank where the proceeds are deposited and sign an agreement on the deposit and management of the Special Account for proceeds with the depositary bank and the sponsor of the Company in connection with the issuance of shares or convertible bonds (the “Sponsor(s)”). The agreement shall include at least the following contents:</p> <p>(I) The Company shall deposit the proceeds into the Special Account for proceeds;</p> <p>(II) The depositary bank shall provide the Company with monthly bank statements of the Special Account for proceeds, with a copy to the Company's Sponsor(s);</p> <p>(III) If the Company withdraws an amount that exceeds RMB50 million from the Special Account for proceeds once or on a cumulative basis within 12 months and the amount reaches 20% of the net amount of proceeds in total from the issuance after deducting issuance expenses (the “Net Proceeds”), the Company shall notify the Sponsor(s) of the same promptly;</p> <p>(IV) The Sponsor(s) may make inquiries to the depositary bank on the Special Account for proceeds at any time;</p> <p>(V) The liabilities for breach of the agreement by the Company, depositary bank or the Sponsor(s).</p> <p>The Company shall file with the Shanghai Stock Exchange within 2 trading days after the above agreement is signed and make an announcement thereon.</p>	<p>Article <b>10</b> The Company shall, <b><u>within one month upon receipt of the proceeds, sign a tripartite regulatory agreement with the Sponsor(s) or independent financial adviser and the commercial bank in which the proceeds are deposited, and make an announcement promptly in respect thereof.</u></b> The agreement shall include at least the following contents:</p> <p>(I) The Company shall deposit the proceeds into the Special Account for proceeds;</p> <p><b><u>(II) The account number of the Special Account for proceeds, the project financed with the proceeds in such account, and the amount deposited;</u></b></p> <p><b><u>(III)</u></b> The <b><u>commercial</u></b> bank shall provide the Company with monthly bank statements of the Special Account for proceeds, with a copy to the Company's Sponsor(s) <b><u>or independent financial adviser;</u></b></p> <p><b><u>(IV)</u></b> If the Company withdraws an amount that exceeds RMB50 million from the Special Account for proceeds once or on a cumulative basis within 12 months and the amount reaches 20% of the net amount of proceeds in total from the issuance after deducting issuance expenses (the “Net Proceeds”), the Company shall notify the Sponsor(s) <b><u>or independent financial adviser</u></b> of the same promptly;</p> <p><b><u>(V)</u></b> The Sponsor(s) <b><u>or independent financial adviser</u></b> may make inquiries to the <b><u>commercial</u></b> bank on the Special Account for proceeds at any time;</p>
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If the Company considers that the amount of proceeds to be raised is large and it is necessary to open a Special Account in more than one bank after taking into account the credit arrangements for investment projects, it may, based on the principle of centralised depository for ease of supervision and with the approval of the board of directors, open a Special Account in more than one bank, provided that the funds for the same investment project shall be deposited in the same Special Account.

**(VI) The duties of supervision of the Sponsor(s) or independent financial adviser, the commercial bank's duties of giving notice and coordination, as well as the form of supervision of the Sponsor(s) or independent financial adviser and the commercial bank with respect to the Company's use of the proceeds;**

**(VII) The liabilities for breach of the agreement by the Company, commercial bank, the Sponsor(s) or independent financial adviser;**

**(VIII) Where the commercial bank fails to issue bank statements to the Sponsor(s) or independent financial adviser in a timely manner for three times, or fails to coordinate with the Sponsor(s) or independent financial adviser in inquiries and investigations of materials of the Special Account, the Company may terminate the agreement and cancel such Special Account for proceeds.**

The Company shall file with the Shanghai Stock Exchange within 2 trading days after the above agreement is signed and make an announcement thereon.

**In the event of early termination of the above agreement before its expiration, the Company shall, within 2 weeks from the termination of the agreement, enter into a new agreement with relevant parties, and make an announcement thereon in timely manner.**

Chapter III Use of the Proceeds and Risk Control	Chapter III Use of the Proceeds and Risk Control
<p>Article 11 The proceeds shall be used in strict compliance with the investment projects to be financed with the proceeds as approved by the general meeting. The board of directors shall monitor the actual use of the proceeds to ensure that such investment projects are implemented in accordance with the progress of the prescribed plan.</p>	<p>Article <u>12</u> <b>The board of directors of the Company shall adequately evaluate the feasibility of the investment projects financed with the proceeds, and ensure that the investment projects have better market prospects and profitability, so as to effectively prevent investment risks and enhance the efficiency of the utilization of the proceeds.</b></p>
<p>Article 12 The Company shall not conduct the following acts with the proceeds:</p> <p>(I) Change the use of proceeds in disguise through pledges, entrusted loans or other means;</p> <p>(II) Occupied or misappropriated by controlling shareholders, de facto controllers and other related parties to obtain improper benefits for related parties using the investment projects financed with the proceeds.</p>	<p>Article <u>13</u> <b>The Company shall, in principle, use the proceeds for its principal business. It shall not conduct the following acts with the proceeds:</b></p> <p>(I) Change the use of proceeds in disguise through pledges, entrusted loans or other means;</p> <p>(II) <b><u>Make available the proceeds, whether directly or indirectly, to the controlling shareholder(s), de facto controller(s) and other related parties for the purpose of facilitating the related parties to obtain improper gains through the investment projects financed with the proceeds;</u></b></p> <p>(III) <b><u>Other acts in violation of the provisions on the administration of proceeds.</u></b></p>

<p>Article 13 In the event of any circumstances seriously affecting normal implementation of the investment plan of proceeds, the Company shall report to the Shanghai Stock Exchange and make an announcement thereon in a timely manner.</p>	<p>=</p>
<p>Article 17 Investment projects shall be implemented in accordance with the progress of the plan as committed by the board of directors, and the department responsible for the implementation shall refine the specific work progress to ensure that all work will be completed pursuant to the progress of the plan, and shall provide regular reports on the work progress to the audit department. If it is true that due to unforeseen or unforeseeable objective factors, the project cannot be completed according to the plan and progress as committed, the Company must publicly disclose the actual situation and explain the reasons therefor in detail.</p>	<p>Article 17 Investment projects shall be implemented in accordance with the progress of the plan as committed by the board of directors, and the department responsible for the implementation shall refine the specific work progress to ensure that all work will be completed pursuant to the progress of the plan, and shall provide regular reports on the work progress to the audit department.</p>
<p>Article 18 The investment projects financed with the proceeds shall be consistent with the projects committed in the information disclosure documents of the Company such as the prospectus or offering circular and shall not be changed in principle. If it is necessary to change the investment of the proceeds due to changes in the market, the board of directors shall deliberate, publicly disclose the actual situation, explain the reasons therefor in detail and report to the general meeting for approval in accordance with the statutory procedures.</p>	<p>=</p>

<p>Article 20 Where the Company finances asset or equity interest acquisition of individuals, legal persons or other organisations and their related parties with actual control over the Company with the proceeds, the following provisions shall be followed:</p> <p>(I) In principle, the acquisition shall effectively avoid peer competition, or reduce the continuing related party transactions after the acquisition, or facilitate the Company to expand new businesses, provided that it should be conducive to the long term development of the Company and may effectively protect the interests of minority investors;</p> <p>(II) The Company shall disclose the reasons for transactions with controlling shareholders or de facto controllers, the pricing policies and basis of the related party transactions, the impact of such transactions on the Company and the measures to resolve the relevant issues;</p> <p>(III) The relevant provisions on decision making and disclosure of related party transactions under the the listing rules of the place where the Company’s shares are listed;</p> <p>(IV) Relevant provisions on decision making and disclosure of related party transactions under relevant policies such as the <i>Management Policy for Information Disclosure</i> of the Company.</p>	<p>=</p>
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<p>Article 21 The general manager (president) shall be responsible for organising the implementation of the investment projects financed with the proceeds.</p> <p>Daily supervision in respect of the use of proceeds shall be performed by the audit department of the Company. The audit department shall conduct a special audit on the use of proceeds once every six months, and deliver the audit results promptly to the audit committee of the board, with a copy to the supervisory committee and the general manager (president).</p> <p>If the audit committee considers that there are irregularities in the management of the Company's proceeds or that the audit department did not submit a report on the results of the inspection in accordance with the preceding paragraph, it shall promptly report to the board of directors. The board of directors shall report to the Shanghai Stock Exchange and make an announcement within two trading days after receiving the report of the audit committee. The announcement shall include the irregularities in the management of the proceeds, the consequences that have been or may be caused and the measures taken or proposed to be taken.</p>	<p>Article <u>19</u> The general manager (president) shall be responsible for organising the implementation of the investment projects financed with the proceeds.</p>
<p>Article 22 The finance department of the Company shall be responsible for the deployment and arrangement of funds, and shall establish relevant accounting records and books of accounts in respect of activities involving the use of the proceeds.</p>	<p>=</p>
<p>Article 23 On the premise of ensuring that the progress of the construction of the investment projects financed with the proceeds will not be affected, the proceeds may be used for short-term investments of not more than six months within the scope permitted by laws and regulations and the regulatory documents of the CSRC.</p>	<p>=</p>

<p>Article 24 In case of termination of project implementation, investment beyond budgeting, delay in progress, etc. arising from the material changes in relevant national policies, market environment, relevant technologies and circumstances of partners, etc., the relevant department shall report to the general manager (president) and the board of directors promptly. If a project is terminated for implementation, or the investment exceeds the budget, or the project is postponed for more than 6 months, the board of directors shall report it to the general meeting and the termination of implementation or increase in investment shall be made only after it is approved by the general meeting.</p>	<p>=</p>
<p>Article 25 If the Company has already disclosed its intention to replace the self-raised funds invested in advance with the proceeds in its offering application documents and the amount invested in advance is certain, such replacement shall be subject to the special audit by an accounting firm, the opinion given by the Sponsor(s), and consideration and approval by the board of directors. The board of directors shall report it to the Shanghai Stock Exchange and make an announcement within 2 trading days after the completion of the replacement.</p> <p>Except as provided in the preceding paragraph, if the Company replaces the self-raised funds invested in advance with the proceeds, it shall comply with the corresponding procedures and disclosure obligations in accordance with the provisions of these Measures in relation to the change of investment projects with the proceeds.</p> <p>For the temporarily unused proceeds, the department using the proceeds and the risk management department shall strictly control the risks of assets in accordance with the requirements of the Company for risk management to ensure the safety of the use of the proceeds.</p>	<p><b><u>Article 20</u></b> <b><u>When the Company invest its self-raised funds in advance in an investment project financed with the proceeds, it may replace its self-raised funds with the proceeds within six (6) months after the proceeds are received, with a verification report to be issued by an accounting firm. The Company shall report it to the Shanghai Stock Exchange and make an announcement within 2 trading days after the meeting of the board of directors.</u></b></p> <p><b><u>Article 21</u></b> For the temporarily unused proceeds, the department using the proceeds and the risk management department shall strictly control the risks of assets in accordance with the requirements of the Company for risk management to ensure the safety of the use of the proceeds.</p>

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<p>Article 26 The Company shall meet the following requirements when it temporarily uses the idle proceeds to replenish its working capital:</p> <p>(I) The use of proceeds shall not be undergo essential change and the normal progress of the proceeds investment plan shall not be affected;</p> <p>(II) The amounts used for the replenishment of working capital each time shall not be more than 50% of the Net Proceeds;</p> <p>(III) The replenishment of working capital shall last no more than 6 months each time;</p> <p>(IV) The proceeds previously used for temporary replenishment of working capital that were due have been returned.</p> <p>In the event that the Company temporarily uses the idle proceeds to replenish working capital, it shall be subject to the consideration and approval by the board of directors, the opinions given by independent directors, the Sponsor(s) and the supervisory committee, and the Company shall report it to the Shanghai Stock Exchange and make an announcement thereon within 2 trading days. When the Company uses the idle proceeds representing over 10% of the amount of such proceeds to replenish working capital, it shall be subject to the consideration and approval by the general meeting, and online voting shall be provided for the general meeting.</p> <p>Before the expiration date of replenishing the working capital, the Company shall return such funds to the Special Account for proceeds and report it to the Shanghai Stock Exchange and make an announcement thereon within 2 trading days after the fund are returned in full.</p>	<p>Article <b>24</b> The Company shall meet the following requirements when it temporarily uses the idle proceeds to replenish its working capital:</p> <p>(I) The use of proceeds shall not be undergo essential change and the normal progress of the proceeds investment plan shall not be affected;</p> <p>(II) <b><u>It shall only be used for production and operation related to the principal businesses, and shall not be directly or indirectly used for placement or subscription of new shares, or trading in stocks and any derivative instruments or convertible bonds, etc.;</u></b></p> <p>(III) The replenishment of working capital shall last no more than <b>12</b> months each time;</p> <p>(IV) The proceeds previously used for temporary replenishment of working capital that were due, <b><u>if applicable</u></b>, have been returned.</p> <p>Before the expiration date of replenishing the working capital, the Company shall return such funds to the Special Account for proceeds and report it to the Shanghai Stock Exchange and make an announcement thereon within 2 trading days after the fund are returned in full.</p>
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Article 28 Where the Company proposes to use the remaining proceeds (including interest income) upon completion of an individual investment projects financed with the proceeds for the purpose of other investment projects financed with the proceeds, its use shall be subject to the consideration and approval by the board of directors and the opinions given by the independent directors, the Sponsor(s) and the supervisory committee.

If the remaining proceeds (including interest income) are less than RMB1 million or 5% of the committed investment amount of such project, the procedures stipulated in the preceding clause may be waived and the use of such proceeds shall be disclosed in the annual report.

If the Company applies the remaining proceeds (including interest income) from individual investment projects financed with the proceeds to projects not financed with the proceeds (including replenishment of working capital), it shall undergo relevant procedures by reference to the requirements for the change of investment projects financed with the proceeds under these Measures.

If, after the completion of all investment projects financed with the proceeds, the remaining proceeds (including interest income) represent more than 10% of the Net Proceeds, its use shall be subject to the consideration and approval by the board of directors and the general meeting and the opinions given by independent directors, the Sponsor(s) and the supervisory committee.

If the remaining proceeds (including interest income) are less than 10% of the Net Proceeds, its use shall be subject to the consideration and approval by the board of directors and the opinions given by independent directors, the Sponsor(s) and the supervisory committee.

Article **26** Where the Company proposes to use the remaining proceeds (including interest income) upon completion of an individual investment projects financed with the proceeds for the purpose of other investment projects financed with the proceeds, its use shall be subject to the consideration and approval by the board of directors and the opinions given by the independent directors, the Sponsor(s) and the supervisory committee. **The Company shall make an announcement in a timely manner after consideration by the board of directors.**

If the remaining proceeds (including interest income) are less than RMB1 million or 5% of the committed investment amount of such project, the procedures stipulated in the preceding clause may be waived and the use of such proceeds shall be disclosed in the annual report.

If the Company applies the remaining proceeds (including interest income) from individual investment projects financed with the proceeds to projects not financed with the proceeds (including replenishment of working capital), it shall undergo relevant procedures by reference to the requirements for the change of investment projects financed with the proceeds under these Measures.

**Article 27** After the completion of all investment projects financed with the proceeds, **the use of the remaining proceeds (including interest income) by the Company shall be subject to the consideration and approval by the board of directors and the express consents given by independent directors, the Sponsor(s) and the supervisory committee. The Company shall make an announcement in a timely manner after consideration by the board of directors.**

<p>If the remaining proceeds (including interest income) are less than RMB5 million or 5% of the Net Proceeds, the implementation of the procedures stipulated in the preceding clause may be waived, and the use of such proceeds shall be disclosed in the latest periodic report.</p>	<p>If the remaining proceeds (including interest income) represent more than 10% of the Net Proceeds, its use shall <b>also</b> be subject to the consideration and approval by the general meeting.</p> <p>If the remaining proceeds (including interest income) are less than <b>RMB 5 million or 5%</b> of the Net Proceeds, its use shall be subject to the consideration and approval by the board of directors and the opinions given by independent directors, the Sponsor(s) and the supervisory committee.</p> <p>If the remaining proceeds (including interest income) are less than RMB5 million or 5% of the Net Proceeds, the implementation of the procedures stipulated in the preceding clause may be waived, and the use of such proceeds shall be disclosed in the latest periodic report.</p>
<p>–</p>	<p><b><u>Article 28 When the Company invests surplus proceeds in projects under construction and new projects (including acquisition of assets), it shall invest in principal activities, and shall carry out the feasibility analysis of the investment projects in a scientific and diligent manner and perform the obligation of information disclosure in a timely manner, by reference to the applicable requirements for the change of proceeds under these Measures.</u></b></p>
<p>–</p>	<p><b><u>Article 29 The surplus proceeds of the Company may be used to permanently replenish working capital or repay bank loans, but the cumulative amount for use in every 12 months shall not exceed 30% of the total amount of the surplus proceeds and the Company shall undertake that it will not make any high risk investments or provide financial assistance to targets other than its holding subsidiaries within 12 months after replenishing its working capital.</u></b></p>

	<p><u>If the surplus proceeds are used for the purpose of permanently replenishing the working capital or repayment of bank loans, it shall be considered and approved by the board of directors and the general meeting of the Company where shareholders would be provided with online voting means, and the express consent given by independent directors, the supervisory committee, the Sponsor(s) or independent financial advisers shall be obtained. The Company shall promptly make an announcement containing the followings upon consideration and approval by the board of directors:</u></p> <p><u>(I) Basic information of the proceeds, including the timing of raising the proceeds, the amount of proceeds, the Net Proceeds, surplus proceeds and investment plan, etc.;</u></p> <p><u>(II) Use of the proceeds;</u></p> <p><u>(III) The necessity of and detailed plan for using the surplus proceeds to permanently replenish the working capital or repay bank loans;</u></p> <p><u>(IV) The undertaking of not making any high risk investments or providing financial assistance for others within 12 months after replenishing the working capital;</u></p> <p><u>(V) The impact of the use of the surplus proceeds for permanently replenishing the working capital or repaying bank loans on the Company;</u></p> <p><u>(VI) Opinions issued by independent directors, the supervisory committee, the Sponsor(s) or the independent financial adviser.</u></p>
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-	<p><u>Article 31 The use of the proceeds by the Company for the following purposes shall be subject to consideration and approval by the board of directors and the express consents given by independent directors, the supervisory committee and the Sponsor(s) or the independent financial adviser:</u></p> <p><u>(I) Replacement of the self-raised funds invested in advance in the investment projects with the proceeds;</u></p> <p><u>(II) Use of temporarily idle proceeds for cash management;</u></p> <p><u>(III) Use of temporarily idle proceeds for temporary replenishment of working capital;</u></p> <p><u>(IV) Change of the use of the proceeds;</u></p> <p><u>(V) Use of surplus proceeds for projects under construction and new projects.</u></p> <p><u>Any change in the use of proceeds shall also be subject to the consideration and approval by the general meeting.</u></p>

	<u>Where any related party transaction, asset acquisition or external investment is involved, the review procedures and information disclosure obligation shall be performed in accordance with the listing rules of the place where the Company's shares are listed.</u>
<b>Chapter IV: Changes to the Investment Projects Financed with the Proceeds</b>	<b>Chapter IV: Changes to the Investment Projects Financed with the Proceeds</b>
<p>Article 29 In principle, the use of proceeds shall be implemented in accordance with the plan stipulated in the prospectus, the offering circular and other information disclosure documents. If there are special reasons for changes, the unit in charge of the project shall submit to the general manager (president) the reasons for the changes and the change plan, and after confirmation by the general manager (president), submit them to the board of directors for consideration.</p> <p>In case of the following situations, the Company shall examine the feasibility of, and expected income from, etc., the investment project financed with the proceeds to decide whether or not to proceed with the project, and disclose in the latest regular report the progress of the project, reasons for the abnormal situations and the adjusted proceeds investment plan:</p> <p>(I) Occurrence of significant changes in the market environment related to an investment project financed with the proceeds;</p> <p>(II) Investment project financed with the proceeds which has been shelved for more than one year;</p> <p>(III) Project which has been delayed beyond the time of completion of the previous proceeds investment plan, with the amount of proceeds invested not reaching 50% of the amount as set out in the relevant plan;</p> <p>(IV) Abnormal situations occurred in other investment projects financed with the proceeds.</p>	<p>Article <b>32</b> In principle, the use of proceeds shall be implemented in accordance with the plan stipulated in the prospectus, the offering circular and other information disclosure documents. If there are special reasons for changes, the unit in charge of the project shall submit to the general manager (president) the reasons for the changes and the change plan, and after confirmation by the general manager (president), submit them to the board of directors for consideration.</p> <p>In case of the following situations, the Company shall <b>evaluate again</b> the feasibility of, and expected income from, etc., the investment project financed with the proceeds to decide whether or not to proceed with the project, and disclose in the latest regular report the progress of the project, reasons for the abnormal situations, <b>and (if required for the adjustment to the proceeds investment plan) also the adjusted proceeds investment plan:</b></p> <p>(I) Occurrence of significant changes in the market environment related to an investment project financed with the proceeds;</p> <p>(II) Investment project financed with the proceeds which has been shelved for more than one year;</p> <p>(III) Project which has been delayed beyond the time of completion of the previous proceeds investment plan, with the amount of proceeds invested not reaching 50% of the amount as set out in the relevant plan;</p> <p>(IV) <b>Other</b> abnormal situations occurred in the investment projects financed with the proceeds.</p>

<p>Article 30 The Company shall be deemed to have changed the use of proceeds if the following changes occur in the implementation of the investment projects financed with the proceeds as compared with the commitments made by the Company in the prospectus, the offering circular and other information disclosure documents:</p> <p>(I) Revoke or add new investment projects financed with the proceeds;</p> <p>(II) A material difference in the investment amount of investment projects financed with the proceeds;</p> <p>(III) Other circumstances as recognised by the CSRC or securities exchange(s).</p>	<p><b><u>Article 33 The Company shall be deemed to have changed the use of the proceeds in the following circumstances, and shall make an announcement in a timely manner after consideration and approval by the board of directors and carry out the procedures for consideration by a general meeting:</u></b></p> <p><b><u>(I) Cancel or terminate the original projects financed with the proceeds, and implement new projects;</u></b></p> <p><b><u>(II) Change the entity for the implementation of the investment projects financed with the proceeds;</u></b></p> <p><b><u>(III) Change the implementation method of the investment projects financed with the proceeds;</u></b></p> <p><b><u>(IV) Other circumstances considered as change in the use of proceeds.</u></b></p> <p><b><u>Where there is a change in the entity of the investment project financed with the proceeds between the Company and its wholly-owned subsidiaries or only the location for the implementation of the investment project financed with the proceeds is changed, it shall not be regarded as a change in the use of proceeds and may be exempted from the general meeting procedures, but shall still be subject to the consideration and approval by the board of directors, and the reasons for the change in the entity or location and the opinions of the Sponsor(s) shall be announced in a timely manner.</u></b></p>
<p>Article 31 Any change of the investment projects financed with the proceeds shall be in line with the development strategy of the Company and the direction of national investment. The unit responsible for the project shall conduct sufficient investigation, research and analysis on a new project before proposing the change proposal.</p>	<p>=</p>

<p>Article 34 After the board of directors has made a resolution in relation to the change of the investment projects financed with the proceeds, it shall be submitted to the general meeting for consideration and approval and shall be implemented only after it has been considered and approved by the general meeting and the necessary approval procedures have been completed. No unit shall change the use of proceeds without authorization unless considered and approved by the general meeting. When a general meeting is convened to consider a proposal to change the use of proceeds, shareholders shall be provided with a means of voting by internet.</p>	<p>=</p>
<p>Article 35 Where the Company proposes to change an investment project financed with the proceeds, it shall report the same to the Shanghai Stock Exchange and announce the followings within 2 trading days after the submission of the proposal to the board of directors for consideration:</p> <p>(I) Basic information of the original investment project financed with the proceeds and specific reasons for the change;</p> <p>(II) Basic information, feasibility analysis and risk warning of the new investment project financed with the proceeds;</p> <p>(III) Investment plan of the new investment project financed with the proceeds;</p> <p>(IV) Explanation on the approval obtained or to be obtained from the relevant authorities in respect of the new investment project financed with the proceeds (if applicable);</p> <p>(V) Opinions of independent directors, the supervisory committee and the Sponsor(s) on the change of investment project financed with the proceeds;</p>	<p>Article <b>36</b> Where the Company proposes to change an investment project financed with the proceeds, it shall announce the followings <b><u>in a timely manner</u></b> after the submission of the proposal to the board of directors for consideration:</p> <p>(I) Basic information of the original investment project financed with the proceeds and specific reasons for the change;</p> <p>(II) Basic information, feasibility analysis and risk warning of the new investment project financed with the proceeds;</p> <p>(III) Investment plan of the new investment project financed with the proceeds;</p> <p>(IV) Explanation on the approval obtained or to be obtained from the relevant authorities in respect of the new investment project financed with the proceeds (if applicable);</p> <p>(V) Opinions of independent directors, the supervisory committee and the Sponsor(s) on the change of investment project financed with the proceeds;</p>



<p>(VI) Explanation on the change of investment project financed with the proceeds that is still required for submission to the general meeting for consideration;</p> <p>(VII) Other information as required by the securities exchanges.</p> <p>New investment projects financed with the proceeds involving related party transactions, acquisition of assets and external investments shall also be disclosed in accordance with the relevant requirements of the listing rules of the place where the Company's shares are listed.</p>	<p>(VI) Explanation on the change of investment project financed with the proceeds that is still required for submission to the general meeting for consideration;</p> <p>(VII) Other information as required by the securities exchanges.</p> <p>New investment projects financed with the proceeds involving related party transactions, acquisition of assets and external investments shall also be disclosed in accordance with the relevant requirements of the listing rules of the place where the Company's shares are listed.</p>
<p>Article 36 If the Company proposes to externally transfer or replace the investment projects financed with the proceeds (excluding those that have all been externally transferred or replaced during the implementation of material assets reorganization), it shall report the same to the Shanghai Stock Exchange and announce the followings within 2 trading days after the submission of the proposal to the board of directors for consideration:</p> <p>(I) The specific reasons for the external transfer or replacement of the investment project financed with the proceeds;</p> <p>(II) The amount of the proceeds already used in investment in such project;</p> <p>(III) The investment progress and the realized benefits of the investment project financed with the proceeds;</p> <p>(IV) The basic information, feasibility analysis and risk warnings (if applicable) regarding the received project;</p> <p>(V) The basis for determination of the price of the transfer or replacement and relevant gains;</p>	<p>Article <b>37</b> If the Company proposes to externally transfer or replace the investment projects financed with the proceeds (excluding those that have all been externally transferred or replaced during the implementation of material assets reorganization), it shall announce the followings <b><u>in a timely manner</u></b> after the submission of the proposal to the board of directors for consideration:</p> <p>(I) The specific reasons for the external transfer or replacement of the investment project financed with the proceeds;</p> <p>(II) The amount of the proceeds already used in investment in such project;</p> <p>(III) The <b><u>completion stage</u></b> and the realized benefits of the investment projects financed with the proceeds;</p> <p>(IV) The basic information, feasibility analysis and risk warnings (if applicable) regarding the received project;</p> <p>(V) The basis for determination of the price of the transfer or replacement and relevant gains;</p>

**APPENDIX I                      PROPOSED AMENDMENTS TO THE MEASURES FOR  
THE MANAGEMENT OF PROCEEDS**

<p>(VI) The opinions of the independent directors, the supervisory committee, and the Sponsor(s) in respect of the transfer or replacement of the investment projects financed with the proceeds;</p> <p>(VII) Explanation on the transfer or replacement of the investment projects financed with the proceeds that is still required for submission to the general meeting for consideration;</p> <p>(VIII) Other information as required by the securities exchanges.</p> <p>The Company shall also pay sufficient attention to the receipt and use of the consideration for the transfer, the change of ownership for the received assets, and the ongoing operation of the received assets, and perform the obligation of information disclosure accordingly.</p>	<p>(VI) The opinions of the independent directors, the supervisory committee, the Sponsor(s) <b><u>or the independent financial adviser</u></b> in respect of the transfer or replacement of the investment projects financed with the proceeds;</p> <p>(VII) Explanation on the transfer or replacement of the investment projects financed with the proceeds that is still required for submission to the general meeting for consideration;</p> <p>(VIII) Other information as required by the securities exchanges.</p>
<p>–</p>	<p><b><u>Article 38 The projects financed with the proceeds after the change shall be invested in the principal business.</u></b></p> <p><b><u>The Company shall scientifically and prudently conduct the feasibility analysis of the new projects financed with the proceeds, and ensure that the investment projects have better market prospects and profitability, so as to effectively prevent investment risks and enhance the efficiency of the utilization of the proceeds.</u></b></p>
<p><b>Chapter V Supervision of the Use of Proceeds</b></p>	<p><b>Chapter V Supervision of the Use of Proceeds</b></p>
<p>Article 37 The board of directors and the supervisory committee shall strengthen the inspection and supervision of the management and use of proceeds to ensure that the funds are invested in accordance with the undertakings in the prospectus or the offering prospectus or the purposes approved by the general meeting, including the inspection of the progress of the projects, the effectiveness of their use and the disclosure of information.</p>	<p>Article <b><u>39 The directors, supervisors and senior management of the Company shall diligently perform their duties, urge the Company to regulate the use of proceeds, consciously maintain the security of the Company’s proceeds, and shall not participate in, assist or condone the Company to change the use of proceeds without authorization or in disguised form.</u></b></p>

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<p>Article 38 During the use of the proceeds, the Company shall strengthen internal management and conduct self-inspection. The audit department of the Company shall be the supervising department for the use of the proceeds.</p> <p>The finance department of the Company shall be responsible for the financial supervision of the use of the proceeds. The finance department shall regularly check and verify the use of the proceeds and report the use of the proceeds to the general manager (president) of the Company, who shall report the use of the proceeds specifically to the board of directors.</p>	<p>Article <b>41</b> <u>The accounting department of the Company shall set up a ledger account for the use of proceeds, recording details of the spending of proceeds and the investment to projects financed with proceeds.</u></p> <p><u>The internal audit department of the Company shall inspect the deposit and use of proceeds at least once every six months and promptly report the results of inspection to the audit committee.</u></p> <p><u>Where the audit committee of the Company is of the opinion that irregularities or material risks exist in the Company’s management of the proceeds, or that the internal audit department did not report any inspection results in accordance with the aforementioned provision, it shall promptly report the same to the board of directors. The board of directors shall report the situation to the Shanghai Stock Exchange and publish an announcement in a timely manner upon receipt of the report.</u></p>
<p>Article 39 The Company shall disclose in its periodic reports (including quarterly reports) the use of funds in the Special Account, the approval and the progress of implementation of projects.</p>	<p>Article <b>42</b> The Company shall disclose in its <b>annual reports and interim reports</b> the use of funds in the Special Account, the approval and the progress of implementation of projects.</p>

<p>Article 40 The audit committee of the board of directors, the supervisory committee or over half of the independent directors may engage a certified public accountant to conduct a special audit on the deposit and use of proceeds and issue a special audit report. The Company shall actively cooperate and the necessary expenses incurred thereby shall be borne by the Company.</p> <p>The board of directors shall report to the Shanghai Stock Exchange and make an announcement within 2 trading days upon the receipt of the special audit report issued by the certified public accountant. Should there be any non-compliance in the management of proceeds as set out in the special audit report by the certified public accountant, the board of directors shall also make an announcement in respect of the non-compliance of the deposit and use of proceeds, the consequences that have been or may be incurred and measures that have been adopted or are proposed to be adopted.</p>	<p>Article <b>43</b> <u>Independent directors, the audit committee of the board of directors and the supervisory committee shall continuously pay attention to the actual management and use of proceeds. Independent directors shall pay attention to any difference between the actual use of proceeds and the information disclosure of the Company, and</u> over half of independent directors may engage <u>an accounting firm to issue a verification report</u> on the deposit and use of proceeds. The Company shall actively cooperate and the necessary expenses incurred thereby shall be borne by the Company.</p> <p>The board of directors shall make an announcement <u>in a timely manner</u> upon the receipt of the <u>verification report as specified in the preceding paragraph</u>. Should there be any non-compliance in the management of proceeds as set out in the <u>verification report</u>, the board of directors shall also make an announcement in respect of the non-compliance of the deposit and use of proceeds, the consequences that have been or may be incurred and measures that have been adopted or are proposed to be adopted.</p>
<p>Article 41 The Sponsor(s) and its/their designated sponsor representative shall have the right to supervise and inspect the use of proceeds of the Company. The Company shall actively cooperate with the supervision work of the Sponsor(s), take the initiative to inform the Sponsor(s) of the use of proceeds, authorize the sponsor(s) representative to inquire about the withdrawal of the proceeds at the relevant banks and provide other necessary cooperation and information to the sponsor(s) representative.</p> <p>The Sponsor(s) shall conduct on-site investigation on the deposit and use of the proceeds of the Company once every six months.</p>	<p>Article <b>44</b> The Sponsor(s) and its/their designated sponsor representative shall have the right to supervise and inspect the use of proceeds of the Company. The Company shall actively cooperate with the supervision work of the Sponsor(s), take the initiative to inform the Sponsor(s) of the use of proceeds, authorize the sponsor(s) representative to inquire about the withdrawal of the proceeds at the relevant banks and provide other necessary cooperation and information to the sponsor(s) representative.</p> <p>The Sponsor(s) <u>or independent financial adviser</u> shall conduct on-site investigation on the deposit and use of the proceeds of the Company once every six months.</p>

<p>After the end of each accounting year, the Sponsor(s) shall issue a special inspection report on the deposit and use of proceeds by the Company for the year and submit it to the Shanghai Stock Exchange when the Company discloses its annual report. The inspection report shall include the following information:</p> <p>(I) The deposit and use of the proceeds and the balance in the Special Account;</p> <p>(II) The progress of the projects financed with the proceeds, including the difference with the progress of the proceeds investment plan;</p> <p>(III) The replacement of self-raised funds invested in advance in the investment project with the proceeds (if applicable);</p> <p>(IV) The replenishment of working capital with the idle proceeds and the effect thereof (if applicable);</p> <p>(V) The change of the investment of the proceeds (if applicable);</p> <p>(VI) The concluding remarks on whether the deposit and use of the proceeds are in compliance with regulations;</p> <p>(VII) Other information as required by the securities exchanges.</p> <p>After the end of each accounting year, the board of directors shall disclose in the <i>Special Report on the Deposit and Actual Use of Proceeds</i> the concluding remarks made by the Sponsor in the special inspection report.</p>	<p>After the end of each accounting year, the Sponsor(s) <b>or independent financial adviser</b> issue a special inspection report on the deposit and use of proceeds by the Company for the year and submit it to the Shanghai Stock Exchange when the Company discloses its annual report. The inspection report shall include the following information:</p> <p>(I) The deposit and use of the proceeds and the balance in the Special Account;</p> <p>(II) The progress of the projects financed with the proceeds, including the difference with the progress of the proceeds investment plan;</p> <p>(III) The replacement of self-raised funds invested in advance in the investment project with the proceeds (if applicable);</p> <p>(IV) The replenishment of working capital with the idle proceeds and the effect thereof (if applicable);</p> <p>(V) The change of the investment of the proceeds (if applicable);</p> <p>(VI) The concluding remarks on whether the deposit and use of the proceeds are in compliance with regulations;</p> <p>(VII) Other information as required by the securities exchanges.</p> <p>After the end of each accounting year, the board of directors shall disclose in the Special Report of Proceeds the concluding remarks made by the Sponsor in the special inspection report.</p>
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	<p><u>If the Sponsor(s) or the independent financial adviser finds that the Company and the commercial bank fail to perform the tripartite regulatory agreement on the deposit of proceeds in special account as agreed, or if any material irregularities or significant risks in the management of the proceeds of the Company are identified during the on-site inspection of the Company, the Sponsor or the independent financial adviser shall urge the Company to make rectification and report the same to the Shanghai Stock Exchange in a timely manner.</u></p>
<p><b>Chapter VI Supplementary Provisions</b></p>	<p><b>Chapter VI Supplementary Provisions</b></p>
<p>Article 42 Where the investment projects financed with the proceeds are implemented through subsidiaries of the Company or other enterprises controlled by the Company, these Measures shall apply.</p>	<p>=</p>

The article number of the other articles in these Measures shall be changed accordingly.

**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

The proposed amendments to the Management System for Standardizing Fund Transfer with Related Parties are set out below:

Articles Before Amendment	Articles After Amendment
<b>CHAPTER 1 General Provisions</b>	<b>CHAPTER 1 General Provisions</b>
<p>Article 1 In order to standardize fund transfer between China Galaxy Securities Co., Ltd. (the “Company”) and the controlling shareholder and other related parties, establish a long-term mechanism to prevent appropriation of the Company’s funds by the controlling shareholder and related parties, and eradicate any appropriation of the Company’s funds by the controlling shareholder and related parties, the System is formulated in accordance with the <i>Company Law of the People’s Republic of China</i>, the <i>Securities Law of the People’s Republic of China</i>, the <i>Rules for Governance of Securities Companies</i> and other laws and regulations and the provisions of the Articles of Association with reference to the actual situation of the Company.</p>	<p>Article 1 In order to standardize fund transfer between China Galaxy Securities Co., Ltd. (the “Company”) and the controlling shareholder and related parties, establish a long-term mechanism to prevent appropriation of the Company’s funds by the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties, and eradicate any appropriation of the Company’s funds by the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties, the System is formulated in accordance with the <i>Company Law of the People’s Republic of China</i>, the <i>Securities Law of the People’s Republic of China</i> (<b><u>the “Securities Law”</u></b>), the <i>Rules for Governance of Securities Companies</i>, <b><u>the Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements of Fund Transfer and External Guarantees of Listed Companies</u></b> and other laws and regulations and the provisions of the Articles of Association with reference to the actual situation of the Company.</p>



**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

<p>Article 3 Fund appropriation includes operating fund appropriation and non-operating fund appropriation. Operating fund appropriation refers to fund appropriation by controlling shareholder and related parties through related party transactions in the production and operation process such as procurement and sales; non-operating fund appropriation means advance payment for such expenses as wages, welfares, insurance, advertisement fees, etc. and other expenditures for controlling shareholder and related parties; repayment of debts on behalf of controlling shareholder and related parties; loans advanced directly or indirectly to controlling shareholder and related parties, either with or without consideration; liabilities arising from the guarantee for controlling shareholder and related parties; and other funds provided to the controlling shareholder and related parties without the provision of goods and services.</p>	<p>Article 3 Fund appropriation includes operating fund appropriation and non-operating fund appropriation. Operating fund appropriation refers to fund appropriation by controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties through related party transactions in the production and operation process such as procurement and sales; non-operating fund appropriation means advance payment for such expenses as wages, welfares, insurance, advertisement fees, etc., <b><u>the bearing of costs</u></b> and other expenditures for controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties; repayments of debts on behalf of controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties; loans advanced directly or indirectly to controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties, either with or without consideration; liabilities arising from the guarantee for controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties; and other funds provided to the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties without the provision of goods and services.</p>
<p align="center"><b>CHAPTER 2 Fund Transfer and Regulation</b></p>	<p align="center"><b>CHAPTER 2 Fund Transfer and Regulation</b></p>
<p>Article 8 The appropriation of the listed company’s fund shall be strictly restricted in the transfer of operating funds between the Company and the controlling shareholder and related parties. The Company shall not provide advance payment for wages, welfares, insurance, advertisement fees, etc for controlling shareholder and other related parties nor shall they bear the costs and other expenses for each other and on each other’s behalf.</p>	<p>Article 8 The appropriation of the listed company’s fund shall be <b><u>prohibited</u></b> in the transfer of operating funds between the Company and the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties.</p>

**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

<p>Article 9 The Company shall not provide to the controlling shareholder and related parties, directly or indirectly, the Company’s fund for their use by the following means:</p> <p>(I) Lending the Company’s fund with or without consideration to controlling shareholder and related parties for use;</p> <p>(II) Providing entrusted loan to related parties through banks or non-bank financial institutions;</p> <p>(III) Entrusting controlling shareholder and related parties to perform investment activities;</p> <p>(IV) Issuing trade acceptance bills without real transaction to the controlling shareholder and related parties;</p> <p>(V) Repaying debts for controlling shareholder and related parties;</p> <p>(VI) Other means as determined by the regulatory authorities.</p>	<p>Article 9 The Company shall not provide to the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties, directly or indirectly, the Company’s fund for their use by the following means:</p> <p><b><u>(I) Advance payment for such expenses as wages, welfares, insurance, advertisement fees, etc., the bearing of costs and other expenditures for controlling shareholder, the de facto controller and other related parties;</u></b></p> <p><b><u>(II) Lending the Company’s fund (including entrusted loan) with or without consideration to controlling shareholder, the de facto controller and other related parties for use, except where other shareholders of investee companies of the Company provide funds in the same proportion. The aforementioned “investee companies” do not include companies controlled by controlling shareholder or de facto controller;</u></b></p> <p>(III) Entrusting controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties to perform investment activities;</p> <p>(IV) Issuing trade acceptance bills without real transaction to the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties, <b><u>and financing purchases, asset transfer payments and prepayments without consideration for goods and services or in circumstances that are not commercially reasonable;</u></b></p> <p>(V) Repaying debts for controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties;</p> <p>(VI) Other means as determined by the regulatory authorities.</p>
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**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

<p>Article 10 The controlling shareholder and the de facto controller of the Company shall not take advantage of their related-party relationship to prejudice the Company’s interests. If they have violated such requirements and caused damage to the Company, they shall be liable for such damages.</p>	<p>Article 10 The controlling shareholder and the de facto controller of the Company shall not take advantage of, <b>among others</b>, their related-party relationship to prejudice the Company’s interests. If they have violated such requirements and caused damage to the Company, they shall be liable for such damages.</p>
<p style="text-align: center;"><b>CHAPTER 3 Prevention Measures Against the Appropriation of Funds by Related Parties</b></p>	<p style="text-align: center;"><b>CHAPTER 3 Prevention Measures Against the Appropriation of Funds by Related Parties</b></p>
<p>Article 13 The Company shall regulate and minimize the number of related party transactions and shall strictly restrict the appropriation of the Company's funds by the controlling shareholder, the de facto controller and other related parties when dealing with transfer of operating funds between them.</p>	<p>Article 13 The Company shall regulate and minimize the number of related party transactions and shall <b>prevent</b> the appropriation of the Company's funds by the controlling shareholder, the de facto controller and other related parties when dealing with transfer of operating funds between them.</p>
<p>Article 14 The Company shall strictly prevent non-operating fund appropriation by controlling shareholder and related parties, and properly carry out the building of long-term mechanism to prevent non-operating fund appropriation by controlling shareholder and related parties.</p>	<p>Article 14 The Company shall strictly prevent non-operating fund appropriation by controlling shareholder, <b>the de facto controller</b> and <b>other</b> related parties, and properly carry out the building of long-term mechanism to prevent non-operating fund appropriation by controlling shareholder, <b>the de facto controller</b> and <b>other</b> related parties.</p>
<p>Article 16 The board of directors and the general manager (president) of the Company shall, in accordance with their respective authority and duties, consider and approve the related party transactions between the Company and its controlling shareholder and related parties in the production and operation process such as procurement and sales.</p>	<p>Article 16 The board of directors and the general manager (president) of the Company shall, in accordance with their respective authority and duties, consider and approve the related party transactions between the Company and its controlling shareholder, <b>the de facto controller</b> and <b>other</b> related parties in the production and operation process such as procurement and sales.</p>

**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

<p>Article 17 The Company shall conduct inspections of the Headquarters and its subsidiaries and branches on a regular basis, and report on the review of the transfer of non-operating funds with controlling shareholder and related parties, and firmly eradicate appropriation of non-operating funds by controlling shareholder and related parties.</p>	<p>Article 17 The Company shall conduct inspections of the Headquarters and its subsidiaries and branches on a regular basis, and report on the review of the transfer of non-operating funds with controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties, and firmly eradicate appropriation of non-operating funds by controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties.</p> <p><b><u>The Company shall conduct a self-examination of its fund transfer and external guarantees with its controlling shareholder, the de facto controller and other related parties. If there are problems of fund appropriation or non-compliance in relation to guarantees, the Company shall complete the rectification in a timely manner to safeguard the interests of the Company and its minority shareholders.</u></b></p>
<p style="text-align: center;"><b>CHAPTER 4 Payment Procedures for Fund Transfer</b></p>	<p style="text-align: center;"><b>CHAPTER 4 Payment Procedures for Fund Transfer</b></p>
<p>Article 21 When a subsidiary or a branch of the Company carries out operational related party transactions such as procurement and sales with the controlling shareholder and related parties of the Company, it must sign an economic contract with real transaction. The prepayment and final payment must be made upon the approval of the person in charge of the subsidiary or branch. If the signed contract cannot be performed as scheduled due to market reasons, the actual situation of the inability to perform the contract shall be explained in detail, and the contract shall be terminated after negotiation between the two parties as a basis for the refund of the advance payment made.</p> <p>Subsidiaries and branches shall report to the audit department of the Company on a regular or ad hoc basis the occurrence of related party transactions with the controlling shareholder and related parties of the Company.</p>	<p>Article 21 When a subsidiary or a branch of the Company carries out operational related party transactions such as procurement and sales with the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties of the Company, it must sign an economic contract with real transaction. The prepayment and final payment must be made upon the approval of the person in charge of the subsidiary or branch. If the signed contract cannot be performed as scheduled due to market reasons, the actual situation of the inability to perform the contract shall be explained in detail, and the contract shall be terminated after negotiation between the two parties as a basis for the refund of the advance payment made.</p> <p>Subsidiaries and branches shall report to the audit department of the Company on a regular or ad hoc basis the occurrence of related party transactions with the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties of the Company.</p>

**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

CHAPTER 5 Measures for Collection of Funds from Related Parties	CHAPTER 5 Measures for Collection of Funds from Related Parties
<p>Article 23 If the board of directors becomes aware of any misappropriation of the Company's assets by the controlling shareholder, a demand notice shall be issued to collect such assets in a timely manner.</p>	<p>Article 23 If the board of directors becomes aware of any misappropriation of the Company's assets by the controlling shareholder, <b><u>the de facto controller</u></b> and <b><u>other</u></b> related parties, a demand notice shall be issued to collect such assets in a timely manner.</p>
<p>Article 24 The board of directors shall take measures to require the controlling shareholder to return the Company's assets appropriated according to different situations. If the controlling shareholder has the ability to settle the appropriated assets in cash, he/she shall settle it in cash directly or by offsetting dividends, transferring or selling through auction shares and assets; if the controlling shareholder does not have the ability to settle the appropriated assets in cash, he/she may settle it by way of "offsetting debts with capital" provided that the relevant laws and regulations are complied with. "Offsetting debts with capital" can only be implemented when the quality of the assets meets the requirements, so as to prevent acts that are detrimental to the rights and interests of the Company and its minority shareholders, such as the use of inferior assets and substandard shares for repayment.</p>	<p>Article 24 <b><u>The funds of the Company appropriated by the controlling shareholder, the de facto controller and other related parties shall, in principle, be settled in cash. Settlement of appropriated funds of the Company by the controlling shareholder, the de facto controller and other related parties with non-cash assets shall be strictly controlled. The proposed settlement of appropriated funds of the Company by the controlling shareholder, the de facto controller and other related parties with non-cash assets shall be subject to the following requirements:</u></b></p> <p><b><u>(I) the assets used for settlement must be within the same business segment of the Company and could help enhance the independence and core competitiveness of the Company and reduce related party transactions, and shall not be assets which have not yet been put into use or have no objectively specified net carrying amounts.</u></b></p> <p><b><u>(II) the Company shall engage intermediaries that meet the requirements of the Securities Law to evaluate the assets eligible for settlement by way of "offsetting debts with capital", and use the appraised value of the assets or the audited net carrying amount as the pricing basis for settlement by way of "offsetting debts with capital". However, the final pricing shall not prejudice the interests of the Company, and discount shall be made after full consideration is given to the present value of the funds appropriated. The audit report and valuation report shall be made available to the public.</u></b></p>

**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

	<p><u>(III) independent directors shall express their independent opinions on the proposal of settlement by related parties of the Company by way of “offsetting debts with capital”, or engage intermediaries that meet the requirements of the Securities Law to issue an independent financial advisor’s report.</u></p> <p><u>(IV) the proposal of settlement by related parties of the Company by way of “offsetting debts with capital” shall be subject to consideration and approval at the general meeting in which the related party shareholders shall abstain from voting.</u></p>
<p><b>CHAPTER 6 Accountability and Punishment</b></p>	<p><b>CHAPTER 6 Accountability and Punishment</b></p>
<p>Article 29 When the directors and senior management assist and condone the appropriation of assets of the Company by the controlling shareholder and related parties, the board of directors of the Company shall, based on the severity of the case, impose punishment on the directly responsible person and propose the removal of directors bearing the most responsibility at the general meeting, and the Company shall have the right to demand compensation from such directors for any losses caused to the Company.</p>	<p>Article 29 When the directors and senior management assist and condone the appropriation of assets of the Company by the controlling shareholder, <b>the de facto controller</b> and <b>other</b> related parties, the board of directors of the Company shall, based on the severity of the case, impose punishment on the directly responsible person and propose the removal of directors bearing the most responsibility at the general meeting, and the Company shall have the right to demand compensation from such directors for any losses caused to the Company.</p>
<p>Article 31 In the event of non-operational appropriation of the Company's funds by the controlling shareholder and related parties, which causes adverse impact on the Company, the Company shall impose administrative and financial penalties on the relevant responsible persons of the Headquarters, subsidiaries and branches.</p>	<p>Article 31 In the event of non-operational appropriation of the Company's funds by the controlling shareholder, <b>the de facto controller</b> and <b>other</b> related parties, which causes adverse impact on the Company, the Company shall impose administrative and financial penalties on the relevant responsible persons of the Headquarters, subsidiaries and branches.</p>

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**APPENDIX II      PROPOSED AMENDMENTS TO THE MANAGEMENT SYSTEM FOR  
STANDARDIZING FUND TRANSFER WITH RELATED PARTIES**

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CHAPTER 7 Supplementary Provisions	CHAPTER 7 Supplementary Provisions
<p>Article 33 Matters not covered herein shall be implemented in accordance with relevant provisions of applicable national laws and regulations, and the Articles of Association. Where relevant stipulations herein are inconsistent with applicable laws, regulations and the Articles of Association, such laws and regulations and the Articles of Association shall prevail.</p>	<p>Article 33 Matters not covered herein <b><u>or conflicted with the laws and regulations promulgated from time to time after the System have taken effect, the listing rules of the place where the shares of the Company are listed and</u></b> the Articles of Association, such laws and regulations, <b><u>the listing rules of the place where the shares of the Company are listed and</u></b> the Articles of Association shall prevail.</p>
<p>Article 35 The System shall be considered and approved by the shareholders at the general meeting and shall take effect from the date of the initial public offering and listing of the Company's shares.</p>	<p>Article 35 The System shall take effect from the date <b><u>when it is considered and approved by the shareholders at the general meeting.</u></b></p>

**APPENDIX III      PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The proposed amendments to the Articles of Association are set out below:

Article Before Amendment	Article After Amendment
<p>Article 13 Subject to the approval by relevant regulatory authorities and registration with the company registration authority, the business scope of the Company shall include:</p> <p>(1) securities brokerage;</p> <p>(2) securities investment advisory;</p> <p>(3) financial consultations in relation to securities trading and securities investment;</p> <p>(4) securities underwriting and sponsorship;</p> <p>(5) proprietary securities trading;</p> <p>(6) margin financing and securities lending business;</p> <p>(7) agency sale of securities investment funds;</p> <p>(8) intermediary services to futures companies;</p> <p>(9) agency sale of financial products;</p> <p>(10) concurrent insurance agency business;</p> <p>(11) custody business of securities investment funds;</p> <p>(12) sale of precious metal products;</p> <p>(13) other businesses approved by relevant regulatory authorities.</p>	<p>Article 13 Subject to the approval by relevant regulatory authorities and registration with the company registration authority, the business scope of the Company shall include:</p> <p>(1) securities brokerage;</p> <p>(2) securities investment advisory;</p> <p>(3) financial consultations in relation to securities trading and securities investment;</p> <p>(4) securities underwriting and sponsorship;</p> <p>(5) proprietary securities trading;</p> <p>(6) margin financing and securities lending business;</p> <p>(7) agency sale of securities investment funds;</p> <p>(8) intermediary services to futures companies;</p> <p>(9) agency sale of financial products;</p> <p>(10) concurrent insurance agency business;</p> <p>(11) custody business of securities investment funds;</p> <p>(12) sale of precious metal products;</p> <p>(13) <b><u>market making and trading of listed securities;</u></b></p> <p><b>(14) <u>market making of stock options;</u></b></p> <p><b>(15)</b> other businesses approved by relevant regulatory authorities.</p>