

Articles of Association of Haier Smart Home Co., Ltd.

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Articles of Association of Haier Smart Home Co., Ltd.

CHAPTER 1 GENERAL PROVISIONS

Article 1 The Articles of Association is formulated pursuant to the *Company Law of the People's Republic of China* (hereinafter referred to as the "Company Law"), the *Securities Law of the People's Republic of China* (hereinafter referred to as the "Securities Law"), the *Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies*, the *Mandatory Clauses of the Articles of Association of Companies Seeking Overseas Listing* (hereinafter referred to as the "Mandatory Clauses"), the *German Securities Trading Act* and the *Listing Rules of the Frankfurt Stock Exchange* (hereinafter referred to as the "Listing Rules of the Frankfurt") (the *German Securities Trading Act*, the *Listing Rules of the Frankfurt* and relevant EU regulations on securities issuance and trading are hereinafter collectively referred to as the "relevant listing regulations of Frankfurt Stock Exchange") and other relevant provisions for the purposes of protecting the legitimate rights and interests of Haier Smart Home Co., Ltd. (hereinafter referred as the "Company"), its shareholders and creditors, and regulating organization and acts of the Company.

Article 2 The Company is a joint stock limited company incorporated in accordance with the *Company Law* and other relevant provisions (hereinafter referred to as the "Company").

Article 3 As approved by [1989] No.3 Circular issued by Qingdao Economic Systems Restructuring Commission, on the basis of the restructuring of the previous Qingdao Refrigerator General Factory (青岛电冰箱总厂), Qingdao Qindao Haier Refrigerator Co., Ltd. (青岛琴岛海尔电冰箱股份有限公司) was established through fund raising by private placement (the Company name changed into Qingdao Haier Refrigerator Co., Ltd. when it was listed. In 2001, its name has changed to Qingdao Haier Co., Ltd. and in 2019, it changed into its current name, ie. Haier Smart Home Co., Ltd.). The Company has been registered with and has obtained a business license from Qingdao Administration Bureau of Industry and Commerce. The Company's unified social credit code as indicated in the business license is 91370200264574251E.

Article 4 As approved by Zhengjian Fa Zi [1993] No.78 issued by China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), the Company carried out its initial offering of 50 million ordinary shares in RMB from 2 October 1993 to 29 October 1993 and such shares was listed on Shanghai Stock Exchange on 19 November 1993 (stock issued domestically, hereinafter referred to as "A Share").

As approved by the CSRC on 11 June 2018, the Company issued 265,000,000 overseas listed foreign-funded shares (stock issued overseas, hereinafter referred to as "D Share") and was listed on China Europe International Exchange (CEINEX) D-Share Market on 24 October 2018; on 23 November 2018, the sole global coordinator (on behalf of the underwriters) partially exercised the over-allotment option and the Company issued an additional 6,013,973 D share listing on China Europe International Exchange (CEINEX) D-Share Market on 30 November 2018.

Article 5 The Company's registered name:

In Chinese: 海尔智家股份有限公司

In English: Haier Smart Home Co., Ltd.

Article 6 The Company's domicile: Haier Industrial Park, Laoshan District, Qingdao

Postal code: 266101

Article 7 The Company's registered capital is RMB 6,368,416,700.

Article 8 The Company is a Sino-foreign investment joint stock company limited by shares (Sino-foreign joint venture, listing).

Article 9 The Chairman of the Board of Directors is the Company's legal representative.

Article 10 The Company is a joint stock company limited by shares existing in perpetuity.

Article 11 All assets of the Company are divided into equal shares, the liability of the shareholders of the Company shall be limited to the shares held by them respectively, and the Company shall be liable for its debt with all of its assets. The Company may invest in other limited liability companies and joint stock limited companies. It shall be liable for such invested companies to the extent of the investment amounts.

Article 12 Since the date of the Articles of Association takes effect, it shall become a legally binding document that regulates the Company's organization and conducts, the rights and obligations among the Company and the shareholders as well as among the shareholders themselves. The Articles of Association shall be binding on the Company and its shareholders, directors, supervisors, managers and other senior management staffs; and the aforesaid persons may make any claims and propositions related to the matters of the Company in accordance with the Articles of Association.

Article 13 The shareholders are entitled to sue the Company in accordance with the Articles of Association; the Company is entitled to sue the shareholders, directors, supervisors, managers and other senior management staffs in accordance with the Articles of Association; any shareholder is entitled to sue other shareholders in accordance with the Articles of Association; and the shareholders are also entitled to sue the directors, supervisors, managers and other senior management staffs of the Company in accordance with the Articles of Association.

The term "sue" in the preceding paragraph shall include filing of a lawsuit at a court or applying for arbitration at an arbitral institution.

Other senior management referred to in the Articles of Association means the deputy manager of the Company, secretary to the Board and the financial controller of the Company.

Article 14 Pursuant to the requirements under the Company Law and the Constitution of the Communist Party of China, the Company set up organizations of the Communist Party of China to perform core political functions and established related working organizations of the Party equipped with sufficient number of Party staff and to maintain sufficient funds for the work of the Party organizations.

CHAPTER 2 PURPOSE AND SCOPE OF BUSINESS

Article 15 The purposes of the Company shall be: user driven, technology pioneer, maintaining market orientation and leading position through famous-brand strategy, providing satisfactory interests to the shareholders, becoming a competitive international enterprise through constant growth, and contributing to human progress.

Article 16 As approved by the company registration authority, the business scope of the Company shall be: researching, developing and manufacturing electric appliance, electronic products, machinery products, communication devices, relevant accessories, industrial automation controlling equipment, computer hardware and accessory equipment; technical advisory services for home appliance and electronic products; import and export business (conduct operations in accordance with the approved scope of Ministry of Foreign Economic Relations and Trade); digital technology, intelligent technology and software technology; technology development, technology consultation, technology transfer, technology service (including industrial internet and household electrical appliances product); data processing; application software development and service; development and application research of advanced control and optimized technology; retail and wholesale; domestic commerce (except for the commodities forbidden by the state); mineral water manufacturing, catering, tourism services (only operated by the branches); enterprise management service and consultation, information technology service; (the approval of relevant authorities shall be obtained before the start of operation if such approval shall be obtained for certain project).

CHAPTER 3 SHARES

Section 1 Issuance of Shares

Article 17 The shares of the Company shall take the form of stock.

Article 18 The Company shall maintain ordinary shares at all times. According to the necessity of the Company, the shares issued by the Company are all ordinary shares. Subject to the approval of the department authorized by the State Council, the Company may set up other kinds of shares.

Article 19 The issuance of shares by the Company shall adhere to the principles of openness, fairness and impartialness, and each share in the same category shall carry the same rights.

Article 20 For the same type of shares issued in the same offering, the issue terms and price shall be identical; each share subscribed by any units or individuals shall be paid by the same price.

Article 21 All shares issued by the Company, including A Share and D Share, are all par value stock with par value per share of RMB1.

Article 22 Subject to the approval by the securities regulatory authority of the State Council, the Company may issue shares to domestic investors and overseas investors.

The “overseas investors” referred to in the preceding paragraph shall refer to investors from foreign countries or from Hong Kong, Macao or Taiwan that subscribe for shares issued by the Company, and “domestic investors” shall refer to investors inside the People's Republic of China (excluding the above-mentioned regions) that subscribe for shares issued by the Company.

Article 23 Shares issued by the Company to domestic investors which are subscribed for in RMB shall be referred to as “domestic shares”. Shares issued by the Company to overseas investors which are subscribed for in foreign currency shall be referred to as “foreign shares”. Foreign shares listed overseas shall be referred to as “overseas-listed foreign shares”.

The “foreign currency” referred to in the preceding paragraph means the other country’s or region’s legal currency except RMB which is recognized by foreign exchange departments of China and could be used to pay for the shares of a company. Domestic shares and foreign shares are all ordinary shares, which enjoy and bear the same rights and obligations.

Article 24 The domestic shares issued by the Company are registered and under concentrated custody of China Securities Depository and Clearing Corporation Limited Shanghai Branch and the foreign shares are registered and under concentrated custody of Clearstream Banking AG, Frankfurt am Main.

Article 25 At the establishment of the Company, Qingdao Refrigerator General Factory (now is known as “Haier Group Company”) had shares of RMB91,024,500 by contribution in tangible assets, the credit union fund had shares of RMB7,294,500 by share conversion, other external entities had minority shares of RMB2,260,000 and staff and workers had individual shares of RMB1,904,000. To sum up, the total share capital of the Company was RMB102,483,000, with RMB500 per share and 204,966 shares in total. The time of contribution was 1989.

The capital structure of the Company was comprised of 6,368,416,700 ordinary shares, of which the domestic shareholders hold 6,097,402,727 shares (representing 95.74% of total number of ordinary shares issued by the Company) and the shareholders of overseas-listed foreign shares hold 271,013,973 shares (representing 4.26% of total number of ordinary shares issued by the Company).

Article 26 With the plan for issuing overseas-listed foreign shares and domestic shares by the Company examined and approved by the securities regulatory authority of the State Council, the Board of Directors of the Company may arrange for the implementation of such plan by means of separate issuances.

Article 27 The Company may implement its plan for separate issuances of overseas-listed foreign shares and domestic shares in accordance with the preceding paragraph separately within 15 months after being examined and approved by the securities regulatory authority of the State Council.

Article 28 Where the Company issues overseas-listed foreign shares and domestic shares separately within the total number of shares specified in the issuance plan, every such issue shall be fully subscribed for in one time. Where it is impossible for every such issue to be fully subscribed for in one time due to special circumstances, the shares may be issued in several stages, subject to the examination and approval of the securities regulatory authority of the State Council.

Article 29 The Company or its subsidiaries (including the affiliates of the Company) shall not provide any assistance in the form of gift, advance, guarantee, compensation and loan etc. to any person who purchases or proposes to purchase the shares of the Company.

Section 2 Increase/Decrease and Repurchase of Shares

Article 30 The Company may, upon resolution by a shareholders' general meeting, adopt the following methods to increase its capital in accordance with its business and development needs and pursuant to the provisions of laws and regulations:

- (1) public offering of shares;
- (2) private offering of shares;
- (3) distribution of new shares to the existing shareholders;
- (4) private placement of new shares to the existing shareholders;
- (5) conversion of the reserves to additional capital;
- (6) conversion of the issued convertible corporate bonds to shares;
- (7) any other method stipulated by laws and administrative regulations and that examined and approved by the CSRC.

After having been examined and approved in accordance with the Articles of Association, the Company's increase of its capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations.

Article 31 Unless otherwise provided by laws and administrative regulations, the shares of the Company may be transferred freely without any lien attached.

Article 32 In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital. The Company shall handle any reduction of its registered capital pursuant to the *Company Law* and other relevant provisions and the procedures stipulated in the Articles of Association.

Article 33 The Company shall notify its creditors within 10 days from the date on which the resolution on reduction of registered capital is passed and make an announcement on the newspaper within 30 days. The creditors shall have the right to require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

The reduced registered capital of the Company may not be less than the statutory minimum threshold.

Article 34 The Company may, under any of the following circumstances, buy back its shares pursuant to the provisions of laws, administrative regulations, departmental rules, the Articles of Association and approval by the relevant authorities:

- (1) reduction of its registered capital;
- (2) merger with other company which holds the shares of the Company;
- (3) the shares are to be used for employee share ownership plans or equity incentives;

- (4) a shareholder who objects to the resolution on the Company's merger or division passed by the shareholders' general meeting requests that the Company buy back his/her/its shares;
- (5) the shares are to be used to convert corporate bonds issued by the Company that can be converted to shares;
- (6) it is necessary for the Company to maintain corporate value and shareholders' equity;
- (7) any other circumstance permitted by laws and administrative regulations.

Except for the aforesaid circumstances, the Company shall not trade in its shares.

Article 35 The Company, with the approval of the relevant competent authorities, may buy back its own shares by any of the following means:

- (1) making buy-back offers in the same proportion to all shareholders;
- (2) buying back through public trading at the stock exchange;
- (3) buying back by way of an agreement outside stock exchange;
- (4) any other method stipulated by laws and administrative regulations and that examined and approved by the relevant competent authorities.

If the Company acquires the Company's shares in circumstances specified in Items (3), (5) and (6) of Article 34 of the Articles of Association, it shall be conducted by way of open and centralized trading.

Article 36 When the Company is to buy back shares by an agreement outside stock exchange, prior examination and approval shall be obtained from the shareholders' general meeting in accordance with the provisions provided for in the Articles of Association. Upon prior examination and approval of the shareholders' general meeting obtained in the same manner, the Company may rescind or change the contracts concluded in the manner set forth above or waive any of its rights under such contracts.

For the purposes of the preceding paragraph, company for the buy-back of its own shares shall include (but not limited to) agreements whereby buy-back obligations are undertaken and buy-back rights are acquired.

The Company may not assign contracts for the buy-back of its own shares or any of its rights thereunder.

Article 37 After the Company has bought back its own shares according to law, it shall cancel such shares within the period prescribed by laws and administrative regulations and shall apply to the original company registration authority for registration of the change in registered capital. The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.

Article 38 Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares:

(1) Where the Company repurchases shares at par value, payment shall be made out of the book surplus on the distributable profits of the Company and out of the proceeds of the new issue of shares made for that purpose;

(2) Where the Company repurchases shares at a premium to its par value, payment equivalent to the par value may be made out of the book surplus on the distributable profits of the Company and out of the proceeds of the new issue of shares made for that purpose. Payment of the portion in excess of the par value shall be handled as follows:

(a) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus on the distributable profits of the Company;

(b) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new issue of shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the Company's premium account or capital reserve fund account (inclusive of the premiums from the new issue) at the time of the repurchase;

(3) The Company shall make the following payments out of the Company's distributable profits:

(a) payment for the acquisition of the rights to repurchase the Company's own shares;

(b) payment for the variation of any contract to repurchase the Company's own shares;

(c) payment for the release of the Company's obligation under any repurchase contract.

(4) After the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the par value of shares which have been repurchased shall be transferred to the Company's premium account or capital reserve fund account.

Article 39 When the Company buys back its own shares due to any reason stipulated in Item (1) or Item (2) of Article 34, a resolution adopted by shareholders' general meeting is required. Where the Company buys back its own shares pursuant to the provisions of Items (3), (5) and (6) of Article 34 of the Articles of Association, it shall be resolved by a resolution of a meeting of Board of Director attended by more than two-thirds of the directors in accordance with the provisions of the Company's Articles of Association or the authorization of the shareholders' general meeting. In the event that the Company has acquired its Shares in accordance with the Item (1) of Article 34 and it falls under the circumstances set out in Item (1) thereof, the shares shall be cancelled within 10 days after the date of buyback; where it falls under the circumstances set out in Item (2) or Item (4) thereof, the shares shall be transferred or cancelled within 6 months, where it falls under the circumstances set out in Items (3), (5) and (6) thereof, the total number of shares of the Company held by the Company shall not exceed 10% of the total number of shares issued by the Company and shall be transferred or cancelled within three years.

Section 3 Transfer of Shares

Article 40 The shares of the Company may be transferred pursuant to laws. The specific manner of stock transfer shall be in accordance with relevant provisions of the place where the company is listed.

Article 41 The Company does not accept its own shares as the collateral of pledge.

Article 42 The shares of the Company held by a promoter shall not be transferred within 1 year from the date of the establishment of the Company. Shares issued prior to the public offering of shares by the Company shall not be transferred within 1 year from the day on which the shares are listed and traded on the stock exchange.

Article 43 The directors, supervisors and senior management of the Company shall report to the Company their shareholdings in the Company and the changes thereof and shall not transfer in a given year during their terms of office more than 25% of the total number of shares of the Company which they hold; the shares of the Company held by them shall not be transferred within 1 year from the date when the shares of the Company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the Company held by him/her within half a year from his/her termination of the office. If the directors, supervisors and senior management of the Company hold no more than 1,000 shares, the above restriction of transfer percentage shall be inapplicable and their shares can be transferred at one time.

Article 44 Where the directors, supervisors, senior management of the Company or shareholders who hold 5% or more of the Company's shares sell the shares held by them within 6 months from the date when they purchased such shares, or purchase the shares of the Company again within 6 months after they disposed, the proceeds thereof shall belong to the Company, and the Board of Directors of the Company shall forfeit such proceeds. However, in case a securities company who holds 5% or more of the Company's shares due to purchase of remaining shares under an underwriting arrangement, its sale of such shares shall not be subject to the 6-month limitation.

Where the Board of Directors of the Company does not act in accordance with the provision of the above paragraph, the shareholders shall have the right to require the Board of Directors to take action within 30 days. Where the Board of Directors fails to take such action within the aforesaid period, the shareholders shall have be entitled to file proceedings at the people's court directly in their own names for the interests of the Company.

Where the Board of Directors fails to act in accordance with the first paragraph, the responsible directors shall assume joint and several liabilities pursuant to the law.

Section 4 Financial Assistance for the Acquisition of the Shares of the Company

Article 45 The Company or its subsidiaries shall not, at any time and in any manner, provide any financial assistance to purchasers or prospective purchasers of the shares of the Company. The aforesaid purchasers of shares of the Company as shall include persons who directly or indirectly assume relevant obligations as a result of purchasing shares of the Company.

The Company or its subsidiaries shall not, at any time and in any manner, provide any financial assistance to the above obligators in order to reduce or discharge their obligations.

The provisions of this Article shall not apply to the circumstances described in Article 47 of this Articles of Association.

Article 46 The term “financial assistance” referred to in the Articles of Association shall include (but not limited to) the forms set out below:

(1) gift;

(2) guarantee (including the assumption of liability or provisions of property by the guarantor in order to secure the performance of the obligation by the obligator), indemnity (excluding, however, indemnity arising from the Company's own default) and release or waiver of rights;

(3) provision of a loan or execution of an agreement under which the obligations of the Company are to be fulfilled prior to the obligations of other parties to such agreement, or a change in the parties to such loan or agreement or the assignment of rights under such loan or agreement etc.;

(4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when such assistance would lead to a material reduction in the Company's net assets.

For the purposes of the Articles of Association, the term “assumption of liability” includes the assumption of a liability by the obligator by signing agreements or making arrangements (whether or not such agreement or arrangement is enforceable and whether or not such obligation is assumed by the obligator individually or jointly with any other person) or by changing its financial position in any other way.

Article 47 The conducts listed below shall not be regarded as those prohibited by Article 45 of the Articles of Association:

(1) where the financial assistance given by the Company genuinely for the benefits of the Company and the main purpose of such financial assistance is not to purchase shares of the Company, or the financial assistance is an incidental part of an general plan of the Company;

(2) distribution of the Company's properties as dividends pursuant to the law;

(3) distribution of dividends in the form of shares;

(4) reduction of registered capital, buy-back of shares and shareholding structuring etc., in accordance with the Articles of Association;

(5) provision of a loan by the Company within its business scope and in the ordinary course of its business (provided that it does not lead to a reduction in the net assets of the Company or that if it constitutes a reduction, the financial assistance was paid out of the Company's distributable profits);

(6) provision of money by the Company for an employee stock ownership plan (provided that it does not lead to a reduction in the net assets of the Company or that if it constitutes a reduction, the financial assistance was paid out of the Company's distributable profits).

CHAPTER 4 CONVERTIBLE CORPORATE BONDS

Article 48 Subject to statutory procedures, the Company may issue corporate bonds which can be converted into shares within a certain period of time pursuant to agreed conditions. When issuing convertible corporate bonds, the Company may either publicly issue such bonds to non-specific objects, or privately issue to specific objects.

Article 49 The issuance, listing, conversion and relevant activities of convertible corporate bonds shall observe to the principles of openness, fairness, impartiality and good faith.

Article 50 Convertible corporate bonds may, pursuant to law, be assigned, pledged and inherited.

Article 51 Convertible corporate bonds issued by the Company may be applied for listing for transactions in the stock exchange where the shares of the Company are listed in accordance with the relevant provisions.

Article 52 Convertible corporate bonds issued by the Company cannot be converted into the shares of the Company until 6 months after the date of the completion of the issuance of such bonds. The conversion period shall be determined by the Company pursuant to the duration of the convertible corporate bonds and the Company's financial position. The holders of such bonds have the right to choose whether to convert such bonds into shares; the bondholders shall become shareholders of the Company in the next day after the conversion.

Article 53 When shareholding structure of the Company has changed due to the conversion of convertible corporate bonds, the Company shall, pursuant to the provisions of relevant laws and administrative regulations, apply at competent industrial and commerce administration for registration of the change in registered capital.

Article 54 As for the matured convertibles corporate bonds that are not converted into shares, the Company shall complete the repayment of principal and interest of the balance of such convertible corporate bonds within 5 working days following their maturity.

Article 55 During the duration of convertible corporate bonds, the Company may exercise its redemption right pursuant to agreed conditions, while the holders of convertible corporate bonds may exercise their sell-back right pursuant to agreed conditions.

Article 56 The Company shall establish the register for holders of convertible corporate bonds pursuant to the documents issued by relevant registration authorities and duly register the names of such holders who have converted such bonds into the shares of the Company onto the list of the Company's shareholders pursuant to actual conversion situation.

Article 57 The holders of convertible corporate bonds of the Company shall have the following rights:

(1) Obtaining the agreed interests pursuant to the amount of the convertible corporate bonds held by them;

(2) Converting the convertible corporate bonds held by them into the shares of the Company pursuant to agreed conditions;

(3) Exercising the selling-back right pursuant to agreed conditions;

(4) Transferring, gifting or pledging the convertible corporate bonds held by them in accordance with the provisions prescribed by laws, administrative regulations and the Articles of Association;

(5) Obtaining relevant information in accordance with the provisions of laws and the Articles of Association, including:

(a) obtaining the copies of the Article of Association after paying costs for making such copies;

(b) reviewing and copying the following documents after paying reasonable fees:

(i) materials about their holding of the convertible corporate bonds;

(ii) quarterly reports, interim reports and annual reports;

(iii) the total amount of the Company's current convertible corporate bonds, the amount of convertible corporate bonds which have been converted into shares of the Company and the shareholding structure of the Company.

(6) Requesting the Company to pay the principals and interests of the convertible corporate bonds at maturity;

(7) Other rights as the creditors of the Company conferred by laws, administrative regulations and the Articles of Association.

Article 58 Any holder of convertible corporate bonds who requests to review the relevant information or materials set out in the preceding article shall provide written documents to the Company to prove the amount of the Company's convertible corporate bonds held by him/her/it. The Company shall provide the information or materials requested by such bondholder upon such supporting documents are verified.

Article 59 The holders of convertible corporate bonds shall observe the following obligations:

(1) complying with relevant terms of convertible corporate bonds being issued by the Company;

(2) making payment for the subscribed amount of convertible corporate bonds;

(3) not requesting the Company to pay principals and interests of convertible corporate bonds in advance, unless under circumstances otherwise stipulated by laws, administrative rules

or regulations and agreed in the offering circular of convertible corporate bonds;

(4) paying relevant taxes that shall be borne by them as a result of share conversion and collection of interests etc.;

(5) other obligations that shall be observed by the holders of convertible corporate bonds stipulated by laws, administrative regulations and the Articles of Association.

Article 60 The Company shall exercise its rights such as right to redeem and right to adjust price pursuant to the provisions of the issuance terms of convertible corporate bonds, and duly perform its obligations such as information disclosure, interest payment, adjustment of conversion price, maintain the holder of convertible corporate bonds and repayment of principals and interests upon maturity in a timely manner, etc.

CHAPTER 5 SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Section 1 Shareholders

Article 61 The Company's shares shall be in registered form.

In addition to the particulars provided for in the Company Law, the shares of the Company shall clearly state other particulars that are required to be specified by the securities exchange(s) on which the Company's shares are listed.

Article 62 The share certificates shall be signed by the chairman of the Board of Directors. Where the signatures of other senior management staff of the Company are required by the securities exchange(s) on which the Company's shares are listed, the share certificates shall also be signed by such other senior management staff. The share certificates shall become effective after the Company's seal is affixed thereto or printed thereon. The signature of the chairman or other relevant senior management of the Company may also be reproduced on the certificate in form of printing. Under the circumstances that the shares of the Company are issued and traded in the paperless form, the provisions stipulated by the securities regulatory authority and the securities exchange(s) on which the Company's shares are listed shall apply.

Article 63 The Company shall keep a register of shareholders, in which the following particulars shall be recorded:

- (1) the name, address (domicile), occupation or nature of each shareholder;
- (2) the category and quantity of shares held by each shareholder;
- (3) the amount paid or payable for the shares held by each shareholder;
- (4) the share certificate numbers of the shares held by each shareholder;
- (5) the date on which each shareholder is registered as a shareholder;
- (6) the date on which each shareholder ceases to be a shareholder.

The register of shareholders shall be sufficient evidence of the shareholders' shareholding in the Company, unless there is evidence to the contrary.

Article 64 The Company may, pursuant to any understanding or agreement reached between the CSRC and overseas securities regulatory authority, keep outside the People's Republic of China the register of holders of overseas-listed foreign shares, and entrust the administration thereof to an overseas agent. The Company shall keep at its domicile a duplicate of the register of shareholders of overseas-listed foreign shares. The entrusted agent outside the People's Republic of China shall ensure that the register of shareholders of overseas-listed foreign shares and its duplicate are consistent at all times.

When the original version and duplicate copies of the register of shareholders of overseas-listed foreign shares are inconsistent, the original version shall prevail.

Article 65 The Company shall keep a complete register of shareholders.

The register of shareholders shall include the following parts:

(1) the register of shareholders kept at the Company's domicile other than those provided for under Items (2) and (3) of this Article;

(2) the register(s) of shareholders of overseas-listed foreign shares kept in the place(s) of the stock exchange(s) outside the People's Republic of China on which the shares are listed;

(3) registers of shareholders kept in such other places as the Board of Directors may consider necessary for purpose of listing of the Company's shares.

Article 66 The various parts of the register of shareholders shall not overlap with one another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the existence of the registration of such shares, be registered in any other part of the register of shareholders.

Alteration or rectification to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part of the register of shareholders is kept.

Article 67 No alteration resulting from share transfers can be made to the register of shareholders within 30 days prior to a shareholders' general meeting or 5 days prior to the reference date set by the Company for the purpose of distribution of dividends. This Article is not applicable to alteration to register of shareholders due to issuance of new shares by the Company pursuant Article 30 in this Articles of Association.

If the securities regulatory authority at the place where the shares of the Company are listed stipulates otherwise, such stipulations shall apply.

Article 68 Any person who challenges the register of shareholders and requires his/her/its name (title) to be entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for such rectification to the register of shareholders.

Article 69 Any shareholder who is registered in the register of shareholders or any person who requires his/her/its name to be entered into the register of shareholders may apply to the

Company for issuance of a replacement certificate in respect of his/her/its shares (hereinafter referred to as the “Relevant Shares”) if such relevant share certificate (hereinafter referred to as the “Original Share Certificate”) has been lost.

Applications for the replacement of share certificates from shareholders of domestic share shall be dealt with in accordance with Article 143 of the *Company Law*.

Applications for the replacement of share certificates from shareholders of overseas-listed foreign shares who have lost their share certificates may be dealt with in accordance with the laws, securities exchange regulations and other relevant provisions of the place where the original register of shareholders of overseas-listed foreign shares is kept.

Applications for the replacement of share certificates from shareholders of overseas-listed foreign shares who have their certificates stolen, lost or destroyed may be dealt with in accordance with the laws, securities exchange regulations and other relevant provisions of the place where the original register of shareholders of overseas-listed foreign shares is kept.

Article 70 In the event a shareholder of overseas-listed foreign shares apply for replacement of share certificates after such share certificates are stolen, lost or destroyed, such replacement shall comply with the following requirements:

(1) the applicant shall submit the application in the form prescribed by the Company accompanied with a notarized certificate or statutory declaration attached. The notarized certificate or statutory declaration shall include the applicant's reason for the application, the circumstances and proof of the share certificates being stolen, lost or destroyed and a declaration that no other person may claim to be registered as shareholder in respect of the relevant shares.

(2) the Company does not receive any claim for being registered as a shareholder in respect of the shares from any person other than the applicant before the Company decides to issue a replacement share certificate.

(3) if the Company decides to issue a replacement share certificate to the applicant, it shall publish a public announcement of its intention issue such replacement share certificate in newspapers or periodicals designated by the Board of Directors; the period of the public announcement shall be 90 days, during which such announcement shall be published repeatedly at least once every 30 days.

(4) before publishing an public announcement of its intention to issue a replacement share certificate, the Company shall submit a duplicate of the announcement to be published to the securities exchange on which its shares are listed; the Company may proceed with publication upon receipt of a reply from the securities exchange confirming that the announcement has been displayed in the securities exchange. The public announcement shall be displayed in the securities exchange for a period of 90 days. If the application for issuance of a replacement share certificate was made without consent of the registered holder of the relevant shares, the Company shall mail thereto the photocopies of the public announcement to be published.

(5) upon the expiration of the 90-day period provided for in Items (3) and (4) of this Article, if the Company has not received any objection to the issuance of a replacement share certificate from any person, it may issue a replacement share certificate according to the application filed by the applicant.

(6) when the Company issues a replacement share certificate in accordance with this Article, it shall immediately cancel the original share certificate and record such cancellation and the issuance of the replacement share certificate in the register of shareholders.

(7) all expenses of the Company in connection with the cancellation of the original share certificate and the issuance of a replacement share certificate shall be borne by the applicant. The Company shall be entitled to refuse to take any action until the applicant has provided reasonable assurance.

Article 71 After the Company has issued a replacement share certificate in accordance with this Articles of Association, it shall not remove from the register of shareholders the name of any bona fide purchaser of such replacement share certificate or of a shareholder that is subsequently registered as the owner of the shares (provided that he/she/it is a bona fide purchaser).

Article 72 The Company shall not be liable for any damages suffered by any person resulting from the cancellation of the original share certificate or the issuance of replacement share certificate, unless such person can prove that the Company has committed a fraudulent act.

Article 73 The Company's shareholders are persons who lawfully hold shares of the Company and whose names are entered in the register of shareholders. Shareholders shall enjoy the rights and undertake obligations in accordance with the class of shares held thereby.

When the Company convenes a shareholders' general meeting, distributes dividends, conducts liquidation or perform other activities that require determining the identity of the shareholders, the Board of Directors or the convener of the shareholders' general meeting shall determine the date of record, and shareholders registered in the register after market closing on the date of record shall be shareholders who enjoy the relevant rights and interests.

The holders of convertible corporate bonds do not have shareholders' rights and obligation until their convertible corporate bonds being converted into shares.

Article 74 The ordinary shareholders of the Company shall be entitled to the following rights:

- (1) obtaining dividends and any other form of profit distribution based on the number of shares held by them;

(2) requiring, convening, chairing, attending or appointing a proxy to attend a shareholders' general meeting pursuant to the law and exercising the corresponding voting rights;

(3) supervising the Company's business operations, proposing recommendations or raising questions;

(4) transferring, donating or pledging shares held by them pursuant to laws, administrative regulations and provisions of the securities regulatory authority at the place where the shares of the Company are listed and the Articles of Association;

(5) obtaining related information in accordance with provisions prescribed by laws and the Articles of Association, including:

(a) obtaining the copies of the Article of Association after paying relevant costs;

(b) reviewing and copying the following documents after paying reasonable costs:

(i) materials about their holdings of the shares and the register of the shareholders;

(ii) personal information on the directors, supervisors, manager and other senior management staff of the Company, including:

(a) current and previous names and aliases;

(b) main address (domicile);

(c) nationality;

(d) full-time and all part-time occupations and titles;

(e) identification documents and their numbers;

(iii) financial and accounting reports, interim reports and annual reports;

(iv) the total amount of share capital and the shareholding structure of the Company; reports showing the total par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount of cost incurred by the Company for this purpose;

(v) counterfoils of corporate bonds, and minutes of shareholders' meetings;

(6) upon termination or liquidation of the Company, participating in the distribution of the Company's residual assets based on their shareholding;

(7) shareholders who objects to the resolution on merger or division of the Company passed by a shareholders' general meeting may request the Company to acquire his/her/its shares;

(8) any other rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

Article 75 A shareholder who requests for inspection of the relevant information or materials set out in the preceding Article shall provide the Company with written documents evidencing the class and quantity of the Company's shares held by him/her/it, and the Company shall provide the information or materials requested by the shareholder upon verification of his/her/its identity.

Article 76 Where the contents of a resolution of shareholders' general meeting or the Board of Directors violate any law or administrative regulation, shareholders are entitled to petition to the competent people's court to declare the resolution invalid.

Article 77 Where the convening procedures or voting method of a shareholders' general meeting or a board meeting violate any laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, a shareholder shall have the right to apply to the people's court for revocation within 60 days from passing of such resolution.

Article 78 Where the directors or senior management staff violate the provisions of laws, administrative regulations or the Articles of Association during the performance of their duties and cause losses to the Company, the shareholders who individually or collectively hold 1% or more of the Company's shares for a consecutive period of 180 consecutive days or longer are entitled to request to the Board of Supervisors to file a lawsuit with people's court in writing; where the Board of Supervisors violates the provisions of laws, administrative regulations or the Articles of Association in the performance of their duties and cause losses to the Company, shareholders may request to the Board of Directors to file a lawsuit with people's court in writing.

Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the Board of Supervisors or the Board of Directors refuses to file lawsuit or does not file lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the Company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in his/her/its own name for the interest of the Company.

Where other persons infringe legitimate rights and interests of the Company and cause losses to the Company, the shareholders stipulated in the first paragraph of this Article may file lawsuit with competent people's court pursuant to the provisions of the preceding two paragraphs.

Article 79 Where any director or senior management staff violates the provisions of laws, administrative regulations or the Articles of Association and causes damages to shareholders, the shareholders may file lawsuit with competent people's court.

Article 80 The shareholders of the Company's ordinary shares shall undertake the following obligations:

- (1) complying with laws, administrative regulations and the Articles of Association;
- (2) making payment for shares subscribed according to the quantity of shares subscribed and the manners of subscription;
- (3) not withdrawing the investment, except for circumstances stipulated by laws and regulations;
- (4) not abusing shareholder's rights to harm the interests of the Company or other shareholders; not abusing the independent legal person status of the Company and limited liability of shareholders to harm the interests of the Company's creditors. Shareholders of the Company who abuse shareholders' rights and causes damages to the Company and other shareholders shall be liable for compensation pursuant to the law. Shareholders who abuse the independent legal person status of the Company and shareholders' limited liability to evade debts and infringe interests of the Company's creditors shall assume joint and several liabilities for the Company's debts.
- (5) other obligations for the shareholders prescribed by laws, administrative regulations and the requirements of the Articles of Association.

Shareholders shall not be liable for any further contribution to share capital other than on the conditions agreed to by the subscribers of the relevant shares at the time of subscription.

Article 81 Where a shareholder who holds 5% or more of the Company's shares that are with voting rights pledges his/her/its shares, he/she/it shall submit a written report to the Company on the date of occurrence of the said event.

Article 82 The controlling shareholder or the de facto controller of the Company shall not make use of such connected relationship to act in detriment of the Company's interests. Those who violate the provisions and cause losses to the Company shall be subject to compensation liability.

The controlling shareholder and the de facto controller of the Company shall assume fiduciary duty towards the Company and its public shareholders. The controlling shareholder shall exercise its rights of investor strictly pursuant to the law and shall not make use of profit distribution, asset restructuring, external investment, occupation of funds and loan guarantee etc. to harm the legitimate rights and interests of the Company and its public shareholders, nor shall he/she/it make use of the controlling status to harm the interests of the Company and its public shareholders.

Article 83 In addition to the obligations imposed by laws, administrative regulations or required by the listing rules of the securities exchange(s) on which the shares of the Company are listed, the controlling shareholder shall not, in exercising the shareholders' powers, make decisions prejudicial to the interests of all or part of the shareholders as a result of the exercise of its voting rights on following matters:

- (1) relieving a director or supervisor of his/her/its responsibility to act honestly in the best interest of the Company;

(2) approving a director or supervisor (for his own benefit or for the benefit of another person) to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company;

(3) approving a director or supervisor (for his own benefit or for the benefit of another person) to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, but exclude the restructuring of the Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

Article 84 For the purposes of the preceding article, the term “controlling shareholder” is a person that satisfies any of the following conditions:

(1) a person who, acting alone or in concert with others, has the power to elect more than half number of the directors;

(2) a person who, acting alone or in concert with others, has the power to exercise or control the exercise of 30% or more of the Company's voting rights;

(3) a person who, acting alone or in concert with others, holds 30% or more of the issued and outstanding shares of the Company;

(4) a person who, acting alone or in concert with others, has de facto control of the Company in any other manner;

(5) a person that is defined as “controlling shareholder” in the Listing Rules of Frankfurt Stock Exchange.

Section 2 General Rules for the Shareholder’s General Meeting

Article 85 The shareholders' general meeting is the organ of authority of the Company, and shall exercise following functions and powers pursuant to the law:

(1) to determine the Company's operating principles and investment plans;

(2) to elect and replace of directors and supervisors who are not represented by employee representatives, and deciding on the remuneration matters of the relevant directors and supervisors;

(3) to deliberate on and approve reports of the Board of Directors;

(4) to deliberate on and approve report of the Board of Supervisors;

(5) to deliberate on and approve the Company's annual financial budget plan and final account plan;

(6) to deliberate on and approve the Company's profit distribution plan and make up the loss plan;

- (7) to make resolutions on increase or decrease of registered capital of the Company;
- (8) to make resolutions on issuance of stocks, convertible corporate bonds and corporate bonds;
- (9) to make resolutions on the merger, division, dissolution, liquidation or change of the Company's corporate form;
- (10) to amend the Articles of Association and deliberate proposals put forward by shareholders who represent 3% or more of the Company's voting shares;
- (11) to make resolutions on hiring and dismissing of accounting firms;
- (12) to deliberate on and approve the following guarantees:
 - 1. to provide any other guarantee under the situation where the total amount of external guarantees provided by the Company and its controlling subsidiaries exceeds 50% of the audited net assets of the Company in the latest period;
 - 2. subject to accumulative calculation principles, the amount of guarantee for a period of any 12 consecutive months exceeds 30% of the company's audited total assets in the latest period;
 - 3. guarantee offered to person whose gearing ratio has exceed 70%;
 - 4. a single guarantee with an amount exceeding 10% of the Company's latest audited net assets;
 - 5. subject to accumulative calculation principles, the amount of guarantee for a period of any 12 consecutive months exceeds 50% of the company's audited net assets in the latest period;
 - 6. guarantees provided to shareholders, de facto controllers and their related parties.
- (13) to deliberate matters regarding the purchase or sales of material assets by the Company that within one year exceed 30% of the Company's total audited assets in the latest period;
- (14) to deliberate on, approve and alter matters regarding the use of raised funds;
- (15) to deliberate on share incentive plans;
- (16) to deliberate on related transactions that are required to be reviewed by shareholders' general meetings according to law;
- (17) to deliberate on public welfare or relief contributions that exceeds the accumulative amount of RMB 20 million in a single year;
- (18) to deliberate on any other matter to be decided by the shareholders' general meeting as stipulated by laws, administrative regulations, department regulations, the listing rules of the place where the securities are listed or the Articles of Association.

Article 86 Shareholders' general meetings comprise annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year and shall be held within 6 months after the end of the preceding accounting year.

Article 87 Under any of the following circumstances, the Company shall convene an extraordinary general meeting within 2 months after occurrence of the relevant event:

- (1) the number of directors is less than below the number stipulated by the *Company Law* (5 directors) or two-thirds of the number stipulated in the Articles of Association (6 directors);
- (2) the Company's unrecovered losses amount to one-third of the total share capital;
- (3) upon written requisition by the shareholders holding 10% or more of the Company's shares individually or jointly (the shareholding referred to above shall be calculated as of the day on which the written request is made);
- (4) the Board of Directors deems necessary;
- (5) upon written requisition of the independent director;
- (6) upon requisition by the Board of Supervisors;
- (7) any other circumstance stipulated by laws, administrative regulations, department regulations or the Articles of Association.

Article 88 The venue for shareholders' general meetings of the Company shall be: Haier Industrial Park or Haier Information Industry Park, Laoshan District, Qingdao, or any other venue determined by the Board of Directors in accordance with the practical situation and stated in the notice of the shareholders' general meeting.

Meeting premises shall be set up for shareholders' general meeting to be held in the form of an on-site meeting. The Company shall also provide, as permitted by the particular situation, online method to facilitate participation in the shareholders' general meetings by shareholders. Shareholders participating in the shareholders' general meeting by the aforesaid methods shall be deemed present at the meeting.

When convening a shareholders' general meeting, the Company will engage lawyers to issue legal opinions on the following issues and to make relevant announcements:

- (1) whether the procedures for convening the meeting comply with the provisions of laws, administrative regulations and the Articles of Association;
- (2) whether the qualifications of the persons attending the meeting and the convener are legitimate and valid;

- (3) whether the voting procedures and voting results of the meeting are legitimate and valid;
- (4) legal opinions with respect to other relevant issues as required by the Company.

The Board of Directors of the Company may also engage notaries to attend the shareholders' general meeting at the same time.

Section 3 Convening of Shareholders' General Meeting

Article 89 Independent directors are entitled to propose to the Board of Directors on convening of an extraordinary general meeting. Where independent directors propose to convene an extraordinary general meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations and the Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

Where the Board of Directors agree to convene the extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days from such decision; where the Board of Directors does not agree to convene the extraordinary general meeting, reasons shall be specified and announcements shall be made.

Article 90 The Board of Supervisors is entitled to propose to the Board of Directors to convene an extraordinary general meeting and such proposal shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, reply in writing on whether or not to agree on the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

When the Board of Directors agrees to convene the extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days from such decision, and the changes made to the original proposal in the notice shall be approved by the Board of Supervisors.

When the Board of Directors disagrees to convene the extraordinary general meeting, or fails to reply within 10 days upon the receipt of the proposal, the Board of Directors will be deemed as not being able to perform or not to perform its duty to convene a shareholders' general meeting, and the Board of Supervisors may convene and preside over such meeting on their own.

Article 91 Shareholders requesting the convening of an extraordinary shareholders' general meeting or a class shareholders' meeting shall proceed in accordance with the procedures set forth below:

- (1) Two or more shareholders who hold, in aggregate, 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the Board of Directors to convene an extraordinary general meeting or a class meetings of shareholders. the agenda of the proposed meeting shall be stated therein. The Board of Directors shall issue its decision in writing regarding its

approval or rejection within ten days from the receipt of the said proposal. The number of the aforesaid shares shall be calculated as of the date on which the requisition(s) is/are made.

(2) Where the Board of Directors gives consent to convening of an extraordinary general meeting, a notice on convening of the extraordinary general meeting or the class meetings of shareholders shall be issued within 5 days from such decision, and the changes made to the original proposal in the notice shall be approved by relevant shareholders.

(3) Where the Board of Directors does not give consent to convene the extraordinary general meeting or does not issue a feedback within 10 days upon the receipt of the requisition, the shareholders holding 10% or more of the Company's shares separately or in aggregate shall have the right to propose to the Board of Supervisors on convening of an extraordinary general meeting and such proposal shall be made to the Board of Supervisors in writing.

Article 92 Where the Board of Supervisors gives consent to convene an extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days upon the receipt of the requisition and the changes made to the original proposal in the notice shall be approved by relevant shareholders.

Where the Board of Supervisors fails to issue a notice of a shareholders' general meeting within the stipulated period, the Board of Supervisors will be deemed as not convening and chairing the shareholders' general meeting, a situation under which the shareholders who hold 10% or more of the Company's shares individually or jointly for 90 or more consecutive days may proceed to convene and chair an extraordinary general meeting on their own initiative.

The procedures of convening such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' general meetings are to be convened by the Board of Directors.

If the general meeting is held by the shareholders on their own due to the failure of the Board of Directors or Board of Supervisors to convene the meeting according to the above requirements, all reasonable costs of the meeting incurred shall be borne by the Company, which shall be deducted from the sums owed by the Company to the negligent directors and supervisors.

Article 93 If the general meeting is convened by the Board of Supervisors or shareholders on their own, a written notice shall be issued to the Board of Directors, and such meeting should be filed with CSRC Qingdao Branch and Shanghai Stock Exchange.

Prior to the announcement of the resolutions passed by the shareholders' general meeting, the shareholding percentage of the shareholders who convene the meeting shall not be less than 10%. The shareholders who convene the meeting shall submit the relevant supporting materials to the CSRC Qingdao Branch and Shanghai Stock Exchange at the time of the issuance of notice of the shareholders' general meeting as well as of the announcement of the resolutions passed by the such meeting.

Article 94 Where the Board of Supervisors or the shareholders convene a shareholders' general meeting on their own, the Board of Directors and the secretary of the Board of Directors

shall cooperate. The Board of Directors shall provide the register of shareholders as of the date of share recording.

Article 95 Where the Board of Supervisors convene a shareholders' general meeting on their own, the necessary expenses incurred thereof shall be borne by the Company, which shall be deducted from the sums owed by the Company to the negligent directors.

Section 4 Proposal and Notification of Shareholders' General Meeting

Article 96 The contents of the proposals shall fall within the terms of reference of a shareholders' general meeting; such proposals shall contain specific agenda items and specific resolution matters, and be comply with laws, administrative regulations and relevant provisions of the Articles of Association.

Article 97 When the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of Supervisors and shareholders that severally or jointly holding 3% or more of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders that individually or jointly hold more than 3% of the Company's shares may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. The convener shall, within 2 days after the receipt of such proposal, issue a supplemental notice of the shareholders' general meeting and announce the contents of the ad hoc proposals.

Except as prescribed in the preceding paragraph, the convener, after issuing the notice and announcement of shareholders' general meeting, shall neither revise the proposals stated in the notice of shareholders' general meetings nor add new proposals.

If a notice of shareholders' general meeting does not specify the proposed resolutions or such proposed resolutions do not comply with Article 96 herein, No voting or resolution shall be effected or adopted shall be carried out at the general meeting.

Article 98 When the Company decides to convene a shareholders' general meeting, it shall issue written notice 45 days prior to the meeting informing all registered shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting. Shareholders who intend to attend the shareholders' general meeting shall deliver a written reply confirming his/her/its attendance to the Company 20 days prior to the meeting. When calculating the time limits, the date on which such meeting is convened shall not be calculated.

The notice of a shareholders' general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by personal delivery or postage paid mail to the recipient's address shown in the register of shareholders. For shareholders of domestic shares, the notice of a shareholders' general meeting may also be given by announcement.

The public announcement referred to in the preceding paragraph that shall be published in one or more newspapers or periodicals designated by the CSRC with period between 45 and 50 days before the meeting is held. Once the announcement is made, all shareholders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

For foreign shareholders, the Company may notify it in an appropriate manner in accordance with the relevant provisions of the place where the Company's overseas shares are listed.

Article 99 Based on the written replies received 20 days prior to the shareholders' general meeting, the Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting is more than half of the total number of the Company's voting shares, the Company may convene the shareholders' general meeting; otherwise, the Company shall, within 5 days, make another announcement informing the shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting. The Company may convene the shareholders' general meeting thereafter.

At extraordinary general meetings, matters not specified in the notice may not be deliberated on.

Article 100 The notice of a shareholders' general meeting shall include the following contents:

- (1) the venue, date and time of the meeting;
- (2) the matters and proposals to be discussed at the meeting;
- (3) providing shareholders with all the information and explanations that are necessary for them to make sensible decisions on matters to be discussed. This, in principle, shall include (but not limited to) providing concrete terms and contracts (if any) of the proposed transaction under negotiation, and earnestly explaining the causes and consequences thereof when the Company proposes a merger, share repurchase, reorganization of share capital or other restructuring;
- (4) if any director, supervisor, manager or other senior management officer has a substantial stake in any of the matters to be discussed, the notice shall disclose the nature and extent of his/her stake in relevant matters; if where the impact of the matters to be discussed on such director, supervisor, manager and other senior management personnel who are shareholders is different from the impact on other shareholders of the same class, the notice shall explain the difference;
- (5) containing the full text of any special resolution proposed to be passed at the meeting;
- (6) containing an explicit statement that all shareholders are entitled to attend and vote in the shareholders' general meeting; and can appoint proxies to attend and vote on their behalf in the meeting; and that the proxy or proxies need not be shareholder/shareholder;
- (7) the date of record to determine shareholders who have the right to attend the shareholders' general meeting;
- (8) the name and telephone number of the contact person for meetings.

The notice and supplementary notice of a shareholders' general meeting shall disclose the specific contents of all proposals fully and completely. For matters which require the independent directors to issue an opinion, the notice or supplementary notice of the shareholders' general meeting shall disclose the opinions of the independent directors and the reason thereof.

Where the shareholders' general meeting adopts online or other methods, the voting time and procedures for such online or other methods shall be stated in the notice of the shareholders' general meeting. Online or other voting methods for a shareholders' general meeting shall not commence earlier than 3:00 p.m. on the day preceding the date of the on-site shareholders' general meeting, and no later than 9:30 a.m. on the date of the on-site shareholders' general meeting; and shall not end before 3:00 p.m. of the date of the on-site shareholders' general meeting.

Article 101 The interval between the date of record and the date of meeting shall be not more than 7 working days. Once determined, the date of record shall not be changed.

Article 102 Where a shareholders' general meeting proposes to discuss election matters of directors and supervisors, the notice of the shareholders' general meeting shall fully disclose the detailed information of the proposed candidates for directors and supervisors, which shall at least include the following contents:

(1) personal information such as educational background, work experience and occupation information, etc.;

(2) whether he/she/it is related to the Company or the Company's controlling shareholder or de facto controller;

(3) disclosure of the number of shares of the Company held by him/her/it;

(4) whether the candidate has been punished by the CSRC, other relevant authorities and the stock exchange.

Apart from adoption of the cumulative voting system for the election of directors and supervisors, a separate proposal shall be put forward for the election of each director and supervisor.

Article 103 Once the notice of a shareholders' general meeting is issued, the shareholders' general meeting shall not be postponed or cancelled without a proper reason, and the proposals set out in the notice of the shareholders' general meeting shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement at least 2 working days before the original date of meeting and state the reason thereof.

Section 5 Convening of Shareholders' General Meeting

Article 104 The Board of Directors of the Company and other conveners will adopt requisite measures to ensure normal order of a shareholders' general meeting. Measures shall be adopted to stop any disruption of the shareholders' general meeting or trouble-making as well as infringement of the legitimate rights and interests of shareholders, and the matter shall be promptly reported to the relevant authorities.

Article 105 All shareholders in the register as at the date of record or their proxies shall have the right to attend a shareholders' general meeting and exercise voting rights pursuant to relevant laws, regulations and the Articles of Association.

Article 106 Shareholders may attend the shareholders' general meeting in person or appoint proxy to attend the meeting and exercise his/her/its voting rights on his/her/its behalf.

Such proxy may exercise the following rights according to the entrustment by the shareholder:

- (1) the shareholder's right to speak at the shareholders' general meeting;
- (2) the right to require by himself or in conjunction with others to make a resolution by voting;
- (3) the right to vote by raising hands or ballot, except that if a shareholder has appointed more than one proxy, such proxies may only exercise their voting rights by ballot.

Article 107 Where the entrusting party has deceased, lost capacity, revoked the proxy or the signed instrument of appointment prior to the voting, or the relevant shares have been transferred prior to the voting, the vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of the event before the commencement of the relevant meeting.

Article 108 Where an individual shareholder attends the meeting in person, he/she/it shall present his/her/its identity document or any other valid credential which can prove his/her/its identity and share account card; where an individual shareholder appoints a proxy to attend the meeting, the proxy shall present his/her/its valid identity document and the proxy form executed by the shareholder.

In the case of a legal-person shareholder, its legal representative or the proxy appointed by the legal representative shall attend the meeting. Where the legal representative attends the meeting, he/she shall present his/her/its identity document and valid documentation that can prove their qualification as the legal representative. Shareholders shall entrust their proxies through written instruments which shall be signed by the entrusting parties or their agents. Where the entrusting party is a legal person, the instrument shall be sealed by the legal person or signed by its director(s) or duly authorized agents.

Article 109 The proxy form issued by the shareholders appointing a proxy to attend the shareholders' general meeting, shall include the following:

- (1) name of the proxy;
- (2) whether the proxy has voting rights;
- (3) the instructions on voting for, against or abstention of each agenda item of the shareholders' general meeting;

(4) date of issuance of the proxy form and the validity period;

(5) signature (or affixation of seal) by the entrusting party.

Any proxy form issued by the Board of Directors of the Company to the shareholders for the appointment of proxies shall allow the shareholders to instruct their proxies to cast affirmative, negative or abstained vote at their own discretion, and enable the shareholders to give separate instructions on each matter to be resolved during the meeting.

A proxy form shall specify that in the absence of instructions from the shareholder, whether the proxy may vote at his/her/its will.

Article 110 An instrument appointing a voting proxy shall be placed at the domicile of the Company or another place specified in the notice of the meeting at least 24 hours prior to the commencement of the meeting in question or 24 hours prior to the scheduled time for voting.

Where a proxy form for a voting proxy is signed by a person authorized by the entrusting party, the proxy form or any other authorization document shall be notarized. The notarized proxy form or any other authorization document and the proxy form for a voting proxy shall be kept at the Company's premises or any other premises designated in the notice of meeting.

Where the entrusting party is a legal person, it shall be represented at the general meeting of the Company by its legal representative or personnel authorized by its Board of Directors or other decision-making bodies.

Article 111 The records for persons attending the meeting shall be prepared by the Company. The attendance records shall specify the name of the persons (or organizations) attending the meeting, identity number, address, the number of shares with voting rights held or represented and the name of the person (or organization) being represented etc.

Article 112 The convener and the lawyer engaged by the Company shall jointly verify the legitimacy of shareholders' qualifications based on the register of shareholders provided by the securities registration and clearing organization and register the name of shareholders and the number of shares with voting rights held by them. Registration for the meeting shall end before the host person of the meeting announces the number of shareholders and proxies present at the meeting and the total number of shares with voting rights held by them.

Article 113 When the Company convenes a shareholders' general meeting, all directors, supervisors and the secretary of the Board of Directors shall attend the meeting, while the manager and other senior management staff shall be present at the meeting.

Article 114 The shareholders' general meetings shall be convened and presided over by the chairman of the Board. Where the chairman is unable or fails to perform his/her/its duties, the deputy chairman (if there are two or more deputy chairmen, the deputy chairman nominated by more than half of the directors) shall preside over the meetings; where the deputy chairman is unable or fails to perform his/her/its duties, a director nominated by more than half of the directors shall preside over the meetings.

If the Board of Directors is unable or fails to fulfill the obligation of convening the shareholders' general meetings, the Board of Supervisors shall convene and preside over such meetings in a timely manner. If the Board of Supervisors does not convene or preside over such meetings, the shareholders individually or jointly holding 1/10 or more of the shares of the Company may convene and preside over such meetings on their own initiative. If for any reason the shareholders are unable to elect a chairman, the shareholder holding the largest number of voting shares who attends the meeting (including proxy thereof) shall preside over the meeting.

The chairman of the Board of Supervisors shall preside over the shareholders' general meetings convened by the Board of Supervisors. Where the chairman of the Board of Supervisors is unable or fails to perform his/her/its duties, the deputy chairman of the Board of Supervisors shall preside over the meeting; where the deputy chairman of the Board of Supervisors is unable or fails to perform his/her/its duties, a supervisor nominated by more than half of the supervisors shall preside over the meeting.

In the case of a shareholders' general meeting convened by shareholders on their own initiative, the convener shall appoint a representative to preside over the meeting.

Where a shareholders' general meeting is held and the chairman of the meeting violates the rules of procedure and as a result thereof, the shareholders' general meeting is unable to continue, upon consent of the shareholders holding more than half of voting rights and present at the shareholders' general meeting, the shareholders' general meeting may elect a person to preside over the meeting so that the meeting may continue.

Article 115 The chairman of the meeting shall be responsible for deciding whether or not a resolution of the shareholders' general meeting has been adopted. His/her decision shall be final and shall be announced at the meeting and recorded in the minutes of the meeting.

Article 116 If the chairman of the meeting has any doubts about the result of a resolution put to the vote, he/she may count the number of votes cast. If the chairman of the meeting fails to count the votes, a shareholder or proxy of the shareholder attending the meeting who challenges the result announced by the chairman of the meeting shall have the right to request counting of votes immediately after such announcement, the chairman of the meeting shall immediately count the votes.

Article 117 If counting of votes is conducted at a shareholders' general meeting, the result of the counting shall be recorded in the minutes of the meeting.

The minutes of the meeting and the attendance records signed by the attending shareholders and proxy forms shall be kept at the Company's domicile.

Article 118 Shareholders may examine photocopies of the minutes of meetings during the Company's office hours free of charge. If any shareholder demands from the Company a photocopy of relevant minutes of meetings, the Company shall send such photocopies within 7 days after receiving reasonable charges.

Article 119 The Company shall formulate the rules of procedure for its shareholders' general meetings and set out the convening and voting procedures of shareholders' general meetings in detail, including the notice, registration, deliberation of proposals, voting, calculation of votes, announcement of voting results, formation of meeting resolutions, minutes and the signing thereof and announcement, as well as the principle for authorizations granted by shareholders' general meetings to the Board of Directors, of which the content should be clear and specific. The rules of procedure for shareholders' general meetings, which are drafted by the Board of Directors and approved by a shareholders' general meeting, shall be appendix of the Articles of Association.

Article 120 At an annual general meeting, the Board of Directors and the Board of Supervisors shall report to the shareholders' general meeting on the work carried out in the past year. Each independent director shall also give his/her work report.

Article 121 The directors, supervisors and senior management staff shall provide explanations and clarification to the inquiries and suggestions raised by shareholders at a shareholders' general meeting.

Article 122 Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies present at the meeting and the total number of shares with voting rights held by them, all of which shall be based on the registration for the meeting.

Article 123 The shareholders' general meetings shall have minutes recorded by the secretary of the Board of Directors. The meeting minutes shall specify the following contents:

- (1) time, venue, agenda of meeting and name of the convener;
- (2) name of the chairman of meeting and directors, supervisors, secretary of the Board of Directors, the manager and other senior management staff present or in attendance at the meeting;
- (3) the number of shareholders and proxies present at the meeting, the total number of voting shares held by them and the shareholding proportion of the Company's total number of shares; the number of voting shares held and percentage of such shares with respect to the Company's total shares, held respectively by the holders of tradable shares (including their proxies) and the holders of non-tradable shares (including their proxies) attending the shareholders' meeting;
- (4) deliberation process, key points of speech and voting result for each proposal, including the voting results of each proposal; including the votes on each resolution by holders of tradable shares and holders of non-tradable shares;
- (5) questions and suggestions raised by shareholders and the corresponding replies and explanations;
- (6) names of lawyer, counting agent and scrutineer;
- (7) any other contents to be included in the minutes as stipulated by the Articles of Association.

Article 124 The convener shall ensure the truthfulness, accuracy and completeness of the contents of the minutes. The directors, supervisors, secretary of the Board of Directors, the convener or their representatives present at the meeting and the chairman of the meeting shall affix their signatures on the minutes. The minutes shall be kept together with the attendance records of the shareholders present at the meeting, the proxy forms of each proxy and other valid materials on voting results for online and other voting methods for not less than 10 years.

Article 125 The convener shall ensure that the shareholders' general meeting is held continuously until the final resolution is formed. In the event that a shareholders' general meeting is suspended or unable to pass resolutions under special circumstances such as force majeure, requisite measures shall be adopted to resume the shareholders' general meeting as soon as possible or to terminate the shareholders' general meeting and promptly make an announcement. At the same time, the convener shall report to the CSRC Qingdao Branch and Shanghai Stock Exchange.

Section 6 Votes and Resolutions of Shareholders' General Meeting

Article 126 Shareholders (including their proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall have one vote.

When a shareholders' general meeting deliberates on significant matters which have an impact on the interests of small and medium investors, the votes of small and medium investors shall be calculated separately. The separate voting results shall be disclosed publicly in a timely manner.

The shares of the Company held by the Company itself shall have no voting right and shall not be included in the total number of shares with voting rights of the shareholders who present at the shareholders' general meeting.

The Company's Board of Directors, independent directors and shareholders who subject to relevant stipulations may openly solicit voting rights of shareholders. In the case of solicitation of voting rights of shareholders, shareholders whose voting rights are solicited shall be made full disclosure of information such as voting intent. Solicitation of voting rights of shareholders in the form of compensation or disguised compensation is prohibited. The Company shall not set restriction on minimum shareholding percentage for solicitation of voting rights.

Article 127 Resolutions made at a shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the shareholders' general meeting shall be passed by more than half of the voting rights represented by shareholders (including their proxies) present at the meeting.

Special resolutions of the shareholder's general meeting shall be passed by more than two thirds of the voting rights represented by shareholders (including their proxies) present at the meeting.

Article 128 Voting at a shareholders' general meeting shall adopt the form of open ballot.

Votes of the shareholders' general meeting shall be conducted by show of hands, unless the following persons require voting by ballot before or after any vote by show of hands:

- (1) the chairman of the meeting;
- (2) at least two shareholders or their proxies entitled to vote thereat;
- (3) one or several shareholders (including proxies), individually or jointly, holding 10% or more of the shares of the Company with voting rights at the meeting.

Unless somebody proposes voting by ballot, the chairman of the meeting shall declare whether the proposal has been adopted according to the results of the vote by showing of hand and shall record the same in the minutes of the meeting, which shall serve as final evidence without having to state the number or proportion of the votes for or against resolution adopted at the meeting.

The demand for voting by ballot may be withdrawn by the person who made it.

Article 129 If the matter demanded to be voted upon by ballot is the election of the chairman of the meeting or the suspension of the meeting, a ballot shall be taken immediately. The chairman can decide when a poll will be taken for any other matters, and the meeting may proceed with the discussion of other matters; the result of the ballot shall still be regarded as a resolution passed at that meeting.

Article 130 When a ballot voting is held, the shareholders (including proxies) having two or more votes need not use all of their voting rights to vote for or against such matters.

Article 131 When the number of votes for and against a resolution is equal, no matter whether the vote is taken by show of hands or by ballot, the chairman of the meeting shall be entitled to cast one more vote.

Article 132 The following proposals shall be resolved by an ordinary resolution at a shareholders' general meeting:

- (1) work reports of the Board of Directors and the Board of Supervisors;
- (2) profit distribution plan and plan for covering losses formulated by the board of directors;
- (3) dismissal of members of the Board of Directors and the Board of Supervisors, and their remuneration and the method of payment thereof;
- (4) the annual budget and final accounts, balance sheet, profit statement and other financial statements of the Company;
- (5) the Company's annual report;
- (6) all other proposals not resolved by special resolutions as provided for in laws, administrative regulations or the Articles of Association.

Article 133 The following proposals shall be resolved by a special resolution at a shareholders' general meeting:

- (1) increase or reduction in the share capital of the Company, and issuance of any class of shares, warrants or other similar securities;
- (2) issuance of corporate bonds;
- (3) division, merger, dissolution and liquidation of the Company;
- (4) amendment to the Articles of Association;
- (5) the amount of purchase or disposal of material assets or providing guarantee in one year exceeds 30% of the latest audited total assets of the Company;
- (6) share incentive plans;
- (7) adjustment and amendment of profit distribution policy stipulated in the Articles of Association;
- (8) other matters which are resolved in shareholders' general meeting by ordinary resolution as being material to the Company and required to be passed by special resolution. Any other matters to be approved by a special resolution as required by the laws, administrative regulations or the Articles of Association, or considered to have a substantial impact on the Company and to require approval by a special resolution by the shareholders' general meeting in an ordinary resolution.

Article 134 The implementation or application of the following matters are subject to approval by the shareholders' general meeting and more than half of total voting rights held by public shareholders:

- (1) any issuance of new shares to the public (including issuance of overseas-listed foreign shares or warrants of other nature), issuance of convertible corporate bonds and placement of shares to existing shareholders (save for the shares to be fully subscribed for in cash pursuant to undertakings of the controlling shareholder prior to the convening of shareholders' general meeting);
- (2) any material asset restructuring under which the total consideration for acquired assets exceeds 20% or more of the audited book value of the acquired assets;
- (3) any repayment of debts due to the Company from a shareholder by using his/her shareholdings in the Company;
- (4) any proposed overseas listing of a company's subsidiary that is of material importance;
- (5) any matter with material impact on the interest of public shareholders in the course of the Company development.

For the purpose of deliberating the aforesaid matters at a shareholders' general meeting, the Company shall provide shareholders with access to vote by network methods.

Article 135 For matters contemplated in the preceding article, the Company shall, after publishing the notice of the shareholders' general meeting, re-publish the notice of the shareholders' general meeting within three days following the date of record of the shareholders.

Article 136 In the event the matters of related transactions are discussed at a shareholders' general meeting, associated shareholders shall refrain from voting upon such related transactions, and the number of voting rights represented by such shareholders shall not be calculated in the total number of valid votes. The Company shall announce the resolutions of the Shareholders' general meetings in accordance with the relevant requirements of the stock exchange on which the shares of the Company are listed. The announcement of the resolution of such general meeting shall fully disclose the votes of the non-related shareholders.

Article 137 The Company shall, on the premise of ensuring its shareholders' general meetings are legitimate and valid, provide convenience for shareholders participating in shareholders' general meetings by various means and channels, including providing modern information technology means such as online voting platform.

Article 138 Except for special circumstances where the Company is in a crisis, unless approved by a special resolution passed at a shareholders' general meeting, the Company shall not enter into a contract with a person other than a director, a supervisor, the manager or any other senior management staff under which such person will take charge of the management of the Company's all or significant business.

Article 139 The list of candidates for directors and supervisors shall be presented in the form of a proposal at a shareholders' general meeting for voting. When a shareholders' general meeting votes on the election of directors and supervisors, the cumulative voting method may be implemented pursuant to the provisions of the Articles of Association or the resolution of a shareholders' general meeting.

The cumulative voting system referred to in the preceding paragraph shall mean that when a shareholders' general meeting elects directors or supervisors, each share shall have the same number of voting rights as the number of directors or supervisors to be elected and the voting rights held by a shareholder may be used together. The Board of Directors shall announce the curriculum vitae and basic information of candidates for directors and supervisors to the shareholders.

The methods and procedures of nominating directors and supervisors are as follows:

Upon the expiration of the term of office of the Board of Directors or in need of replacement due to vacancies within the Board of Directors, the Board of Directors may nominate candidates with simple majority votes of the board and submit the candidate list, curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election.

Upon the expiration of the term of office of the Board of Directors or in need of replacement of directors due to vacancies within the Board of Directors, the shareholders, individually or jointly, holding 3% or more of the total number of the outstanding shares with voting rights of the Company may recommend candidates for directors to the Board of Directors in writing. Upon the Board of Directors' review and examination, if the candidates comply with the provisions by law and the Articles of Association, the board shall submit the candidate list,

curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election.

Upon the expiration of the term of office of the Board of Supervisors or in need of replacement of supervisors due to vacancies within the Board of Supervisors, the Board of Supervisors may nominate candidates with the simple majority votes of the Board of Supervisors and submit the candidate list, curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election.

Upon the expiration of the term of office of the Board of Supervisors or in need of replacement of supervisors due to vacancies within the Board of Supervisors, the shareholders, individually or jointly, holding 3% or more of the total number of the outstanding shares with voting rights of the Company may recommend candidates for supervisors to the Board of Supervisors in writing. Upon the Board of Supervisors' review and examination, if the candidates comply with the provisions by law and the Articles of Association, the Board of Supervisors shall submit the candidate list, curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election.

Upon the expiration of the term of office of the Board of Supervisors or in need of replacement of supervisors due to vacancies within the Board of Supervisors, the original staff-representative supervisor shall still be replaced or by-elected through democratic election among the Company's staff and workers.

Article 140 Apart from the cumulative voting system, a shareholders' general meeting shall vote on the proposals one by one. Where there are different proposals for the same matter, voting shall be carried out in chronological order according to the time they are proposed. Except where a shareholders' general meeting is suspended or cannot pass a resolution under special circumstances such as force majeure, the shareholders' general meeting shall not lay aside a proposal or refuse to vote for a proposal.

Article 141 When the shareholders' general meeting deliberates on a proposal, it shall not amend the proposal. Otherwise, the relevant amendment shall be deemed as a new proposal and shall not be voted at the shareholders' general meeting this time.

Article 142 The same voting rights may only be exercised by one method, either on site, online or via one of any other voting methods. If there are repeated voting with respect to the same voting rights, the first voting result shall prevail.

Article 143 Prior to voting on a proposal, a shareholders' general meeting shall nominate two shareholder's representatives to participate in counting of votes and scrutinization of ballot. Where a shareholder is interested in the matter being deliberated on, he/she/it and his/her/its proxy shall not participate in the counting of votes and scrutinization of ballot.

When a shareholders' general meeting votes on a proposal, the lawyer, the shareholder's representatives and the supervisor's representatives shall be jointly responsible for the counting of votes and scrutinization of ballot; the voting results shall be announced on the spot and the voting results for proposals shall be recorded in the minutes.

The shareholders of the listed company or their proxies voting online or via any other method shall have the right to check their voting results through the corresponding voting system.

Article 144 An on-site shareholders' general meeting shall not end earlier than that conducted online or via any other method; the chairman of the meeting shall announce the voting status and result for each proposal on site and announce in accordance with the voting result whether the proposal is passed.

Prior to official announcement of the voting results, the relevant parties involved in the on-site shareholders' general meeting, online and any other voting methods, such as the listed company, the counting agent(s), the scrutineer(s), substantial shareholders and internet service provider, shall be obliged to keep confidentiality of the voting results.

Article 145 Shareholders present at a shareholders' general meeting shall give one of the following opinions for a proposal subject to voting: consent, objection or abstention of voting. The securities registration and clearing organization shall be the nominal holder of shares on the Shanghai-Hong Kong Stock Connect, except where declaration is made in accordance with the actual intent of such shareholder.

Votes which are left blank, wrongly written, unable to identify or failed to vote will be deemed as waiver of voting rights by the voter and the voting results for his/her/its shares shall be deemed as "abstain".

Article 146 Resolutions passed by a shareholders' general meeting shall be promptly announced and the announcement shall specify the number of shareholders and proxies present at the meeting, the total number of shares with voting rights held by them and proportion with respect to the Company's total number of shares with voting rights, voting method(s), voting result of each proposal and the details information of every resolutions passed.

Article 147 Where a proposal fails to be passed or the shareholders' general meeting has amended a resolution of the previous shareholders' general meeting, such condition shall be highlighted in the announcement on resolutions passed at the shareholders' general meeting.

Article 148 Where shareholders' general meeting has resolved on the election of the relevant directors and supervisors, the newly-elected directors and supervisors shall take office immediately upon the conclusion of the shareholders' general meeting.

Article 149 Where the proposals for cash dividend, bonus shares or conversion of capital reserve to share capital are passed at shareholders' general meetings, the Company shall implement such specific plan within 2 months from conclusion of the relevant shareholders' general meeting.

Article 150 Shareholders who hold different categories of shares shall be shareholders of different categories.

Shareholders of different categories shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association.

Article 151 If the Company intends to change or abrogate the rights of shareholders of different categories, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate shareholders' meeting convened by the affected shareholders of different categories in accordance with Articles 152 to 158.

Article 152 The rights of shareholders of a certain category shall be deemed to have been changed or abrogated in the following conditions:

- (1) an increase or decrease in the number of shares of such category or an increase or decrease in the number of shares of a category having voting rights, distribution rights or other privileges equal or superior to those of the shares of such category;
- (2) a change of all or part of the shares of such category into shares of another category, a conversion of all or part of the shares of another category into shares of such category or the grant of the right to such change;
- (3) a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such category;
- (4) a reduction or removal of a dividend preference or property distribution preference during liquidation of the Company attached to shares of such category;
- (5) an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights or rights to acquire securities of the Company attached to shares of such category;
- (6) a removal or reduction of rights to receive amounts payable by the Company in a specified currency attached to shares of such category;
- (7) a creation of a new category of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that category;
- (8) an imposition of restrictions or additional restrictions on the transfer of ownership of shares of such category;
- (9) an issuance of rights to subscribe for or convert into shares of such category or another category;
- (10) an increase in the rights and privileges of shares of another category;
- (11) a restructuring plan of the Company which will cause shareholders of different categories to bear liability to different extents during the restructuring;
- (12) an amendment or abrogation of the provisions regarding the voting of shareholders of different categories of the Articles of Association.

Article 153 Shareholders of the affected category, whether or not having the right to vote at shareholders' general meeting, shall have the right to vote at meetings of shareholders of different categories in respect of matters referred to in Items (2) to (8) or (11) to (12) of Article 152, provided that interested shareholders shall not have the right to vote at meetings of shareholders of different categories.

Article 154 For the purposes of the preceding paragraph, the term “interested shareholders” shall have the following meanings:

(1) if the Company has made a buy-back offer to all shareholders in the same proportion or has bought back its own shares through open transactions on a securities exchange in accordance with Article 35 hereof, the controlling shareholders as defined in Article 84 hereof shall be “the interested shareholders”;

(2) if the Company has bought back its own shares by an agreement outside a securities exchange in accordance with Article 35 hereof, shareholders in relation to such agreement shall be “the interested shareholders”;

(3) under a restructuring plan of the Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same category, or shareholders who have an interest in a restructuring plan of the Company that is different from the interest in such restructuring plan of other shareholders of the same category shall be “the interested shareholders”.

Article 155 Resolutions of a meeting of shareholders of different categories may be passed only by more than two-thirds of the voting rights of that category represented at the meeting in accordance with Article 151.

Article 156 When the Company is to hold a meeting of shareholders of different categories, it shall issue a written notice in 45 days prior to the meeting, informing all the registered shareholders of that category of the matters to be deliberate on at the meeting as well as the date and place of the meeting. Shareholders that intend to attend the meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.

Article 157 If the number of shares with voting rights at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that category with voting rights at the meeting, the Company may hold the meeting of shareholders of different categories. If not, the Company shall within 5 days inform the shareholders once again of the matters to be deliberated on at the meeting and the date and place of the meeting in the form of announcement. Upon notification by announcement, the Company may hold the meeting of shareholders of different categories.

Article 158 The notice of a meeting of shareholders of different categories needs to be delivered only to the shareholders entitled to vote thereat.

The shareholders of domestic shares and shareholders of foreign shares shall be deemed as shareholders of different categories.

The special voting procedures for shareholders of different categories shall not apply: (1) where, as approved by way of a special resolution of the shareholders' general meeting, the Company issues, either separately or concurrently, domestic shares and overseas-listed foreign shares every 12 months, and the number of the domestic shares and overseas-listed foreign shares intended to be issued does not exceed 20% of the issued and outstanding shares of the respective categories; (2) where the plan for issuance of domestic shares and overseas-listed foreign shares upon the establishment of the Company is completed within 15 months of being approved by the relevant securities authorities.

Article 159 Meetings of any class of Shareholders shall be conducted in a manner as similar as possible as general meeting. The Articles of Association relating to the general meeting shall apply to meeting of a class of Shareholders.

CHAPTER 6 BOARD OF DIRECTORS

Section 1 Directors

Article 160 The directors of the Company shall be natural persons. The following persons shall not serve as the directors of the Company:

- (1) a person without civil capacity or a person with limited capacity for civil conduct;
- (2) a person who was convicted for criminal offence for corruption, bribery, encroachment of property, misappropriation of assets or disruption of the order of socialist market economy and a 5-year period has not elapsed since completion of execution of the judgment, or who has been stripped of his/her political rights as result of committing a criminal offence and a 5-year period has not elapsed since completion of execution of the judgment;
- (3) a person has been adjudicated for violating provisions of relevant securities regulations by a competent organization, and has been involved in a fraudulent or dishonest conduct, and less than five years have elapsed since the date of the adjudication;
- (4) a person who was a director or the plant manager or manager of a bankrupt and liquidated company or enterprise and who was personally accountable for the bankruptcy of the said company or enterprise, and a 3-year period has not elapsed since completion of bankruptcy liquidation of the said company or enterprise;
- (5) a person who was the legal representative of a company or an enterprise whose business license was revoked or which was ordered to be closed down due to violation of law, and who was personally accountable for the revocation of business license or closure of the company or enterprise, and a 3-year period has not elapsed since revocation of business license of the said company or enterprise;

- (6) a person who has a relatively large amount of due and outstanding debt;
- (7) a person who has been banned by the CSRC from the securities market and the ban period has not expired;
- (8) any other person stipulated by laws, administrative regulations or departmental rules.

In the case of the election or appointment of directors which violates the provisions of this article, the election or appointment shall be null and void. Where a director falls under the circumstances referred to in the Articles of Association during his/her/its tenure, the Company shall terminate his/her/its appointment.

Article 161 The validity of an act of a director, the manager or other senior management staff of the Company on behalf of the Company towards a bona fide third party shall not be affected by any irregularity in his/her/its current position, election or qualifications.

Article 162 In addition to obligations imposed by laws, administrative regulations or listing rules of the securities exchange(s) on which shares of the Company are listed, the directors, supervisors, general managers and other senior management staff of the Company shall undertake the following obligations to each shareholder in the exercise of the functions and powers granted to them by the Company:

- (1) not to cause the Company to act beyond the scope of business stipulated in its business license;
- (2) to act honestly in the best interests of the Company;
- (3) not to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company;
- (4) not to deprive the shareholders of their individual rights or interests, including (but not limited to) rights to distributions and voting rights.

Article 163 The directors, supervisors, manager and other senior management staff of the Company must, in the performance of their duties, abide by the principles of honesty and credibility and shall not place themselves in a position where there is a conflict between their personal interests and their duties assumed. This principle shall include (but not limited to) the fulfillment of the following obligations:

- (1) to act honestly in the best interests of the Company;
- (2) to exercise powers within the scope of his/her/its functions and powers and not to act beyond such powers;
- (3) to personally exercise the discretion invested in him/her/its, not to allow himself/herself/itself to be manipulated by another person and, not to delegate the exercise of his/her discretion to another party unless permitted by laws and administrative regulations or with the consent of the shareholders' general meeting that has been informed;

- (4) to be impartial to shareholders of the same category and of different categories;
- (5) not to conclude a contract or enter into a transaction or arrangement with the Company except as otherwise provided in the Articles of Association of the Company or with the consent of the shareholders' general meeting that has been informed;
- (6) not to use the Company property for his/her own benefit in any way without the consent of the shareholders' general meeting that has been informed;
- (7) not to use his/her functions and powers as a means to accept bribes or other forms of illegal income, and not to illegally appropriate Company property in any way, including (but not limited to) any opportunities that are favorable to the Company;
- (8) not to accept commissions in connection with Company transactions without the consent of the shareholders' general meeting that has been informed;
- (9) to abide by the Articles of Association, perform his/her duties faithfully, protect the interests of the Company and not to seek personal gain with his/her position, functions and powers in the Company;
- (10) not to compete with the Company in any way without the consent of the shareholders' general meeting that has been informed;
- (11) not to embezzle Company funds or lend them to others, not to deposit Company assets in accounts opened in his/her own or in another's name, not to use Company assets as security for the debts of the Company shareholders or other individuals;
- (12) not to disclose confidential information relating to the Company that was acquired by him/her during his/her office without the consent of the shareholders' general meeting that has been informed, and not to use such information except in the interests of the Company; however, such information may be disclosed to the court or other government authorities if:
 - (a) provided by law;
 - (b) required in the public interest;
 - (c) required in the own interest of such director, supervisor, manager or other senior management staff of the Company.

Article 164 A director, a supervisor, the manager or other senior management staff of the Company may not incite the following persons or organizations (hereinafter collectively referred to as the “Connected Persons”) to do what such director, supervisor, manager or other senior management staff may not do:

- (1) the spouse or minor child of such director, supervisor, manager and other senior management staff of the Company;

(2) the trustee of a director, supervisor, manager and other senior management staff of the Company or of any person referred in Item (1) hereof;

(3) the partner of a director, supervisor, manager and other senior management staff of the Company or of any person referred in Items (1) and (2) hereof;

(4) the company over which a director, supervisor, manager and other senior management staff of the Company, alone or jointly with any person referred to in Items (1), (2) and (3) hereof or any other director, supervisor, manager or other senior management staff of the Company, has actual control;

(5) a director, a supervisor, the manager and other senior management staff of a company being controlled as referred to in Item (4) hereof.

Article 165 The Company's director, supervisor, manager and other senior management staff shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their due acts with care, diligence and skill as a reasonable and prudent person should do under similar circumstances.

Article 166 Directors shall be elected or replaced at a shareholders' general meeting and the tenure shall be 3 years. Upon expiry of tenure of a director, the director may be reelected. Prior to expiry of tenure of a director, a shareholders' general meeting shall not remove the director without a reason. The chairman of the Board of Directors and the vice chairman (or vice chairmen) of the board shall be elected and removed by more than half of all the directors. The chairman of the board and the vice chairman (or vice chairmen) of the board shall serve a term of 3 years and may serve consecutive terms if reelected upon the expiration of their terms.

Subject to compliance with the relevant provisions of laws and administrative regulations, the shareholders' general meetings may remove any director whose tenure has not expired by ordinary resolutions (without prejudice to any claim which might be put forward in accordance with any contract).

The independent directors have the same tenure as other directors, provided that the consecutive reappointment of the independent directors shall not exceed six years.

The shortest period during which a notice shall be sent to the Company with respect to a proposal to elect a person as the director and the shortest period during which such person shall send a notice to the Company indicating that he/she intends to accept the election shall be at least 7 days. The period for the delivery of the aforesaid notices shall begin to calculate after the Company sends the meeting notice and end no later than 7 days before the date of holding the meeting.

The tenure of a director shall be from the date of appointment to the expiry of tenure of the current Board of Directors. Where re-election is not promptly carried out upon expiry of the tenure of a director, prior to appointment of a new director, the original director shall continue to

carry out director duties pursuant to the provisions of laws, administrative regulations, departmental rules and the Articles of Association.

The manager or any other senior management staff may hold the position of director concurrently, however the total number of directors who hold the position of manager or any other senior management staff position concurrently and directors who are employee representatives shall not exceed half of the total number of directors of the Company.

Directors shall comply with laws, administrative regulations and the Articles of Association and undertake the following fiduciary obligations towards the Company:

- (1) not to make use of official powers to accept bribes or other illegal income or to encroach upon the Company's assets;
- (2) not to misappropriate the funds of the Company;
- (3) not to deposit the assets or funds of the Company into an account opened in his/her own name or the name of another individual;
- (4) not to violate the provisions of the Articles of Association in using the Company's funds to provide a loan or using the Company's assets to provide guarantee to others without the consent of a shareholders' general meeting or the Board of Directors;
- (5) not to enter into a contract or transaction with the Company which violates the provisions of the Articles of Association or without the consent of a shareholders' general meeting;
- (6) not to make use of official powers to seek business opportunities which rightfully belong to the Company for himself/herself or others without the consent of a shareholders' general meeting, or to engage in the same type of businesses as the Company on his/her own or for others;
- (7) not to pocket commissions of transactions with the Company;
- (8) not to disclose the secrets of the Company without authorization;
- (9) not to make use of their relationships to compromise the interests of the Company;
- (10) any other diligent obligations stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

Article 167 Income derived by a director from violation of the provisions of this article shall belong to the Company; where the Company suffer losses thereto, the director shall be liable for compensation. Directors shall comply with laws, administrative regulations and the Articles of Association and shall undertake the following diligent obligations towards the Company:

- (1) exercising the rights accorded by the Company prudently, seriously and diligently to ensure that the commercial activities of the Company comply with laws and administrative regulations of the State and the requirements of various economic policies of the State and the commercial activities shall not exceed the scope of business stipulated in the business license;
- (2) treating all shareholders equally;
- (3) getting a timely grasp of the status of the Company's business operation and management;
- (4) issuing a written confirmation opinion for the Company's regular reports, and ensuring the truthfulness, accuracy and integrity of information disclosed by the Company;
- (5) providing the relevant information and materials to the Board of Supervisors truthfully and not hindering the exercise of official powers by the Board of Supervisors or the supervisors;
- (6) any other diligent obligations stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

Unless the interested director has disclosed to the board in accordance with requirements of the aforesaid provision of the article and that the board has approved the matter at a meeting of which such director was not taken into the quorum and had abstained from voting, the Company shall have the right to cancel such contract, transaction or arrangement, unless the counterparty is a bona fide third party.

When the Board of Directors deliberates on a particular related party transaction, the interested director or related director shall abstain from voting on any resolution of the board's meeting and shall not be counted into the quorum thereof, while he/she shall be included in the number of directors attending the meeting.

Article 168 If a director, a supervisor, the manager or other senior management staff of the Company has directly or indirectly had a material interest in a contract, transaction or arrangement concluded or planned by the Company (except employment contract of the director, supervisor, manager or other senior management staff with the Company), he/she shall disclose the nature and extent of such interest to the Board of Directors at the earliest opportunity, whether or not the matter is normally subject to the approval of the Board of Directors.

Article 169 Unless the interested director, supervisor, manager or other senior management staff of the Company has disclosed such interest to the Board of Directors as required under the preceding paragraph hereof and the matter has been approved by the Board of Directors at a meeting in which he/she was not counted in the quorum and had refrained from

voting, the Company shall have the right to cancel the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, manager or other senior management staff concerned.

Article 170 A director, a supervisor, the manager or other senior management staff of the Company shall also be deemed to have an interest in any contract, transaction or arrangement in which a Connected Person of that director, supervisor, manager or other senior management staff has an interest.

Article 171 If a director of the Company gives a written notice to the Board of Directors before the conclusion of the contract, transaction or arrangement is first considered by the Company, stating that due to the contents of the notice, he/she has an interest in the contract, transaction or arrangement that may subsequently be made by the Company, such director shall be deemed for the purposes of the preceding article of this chapter to have declared his interest, insofar as attributable to the scope stated in the notice.

Article 172 The Company may not directly or indirectly provide a loan or loan guarantee to the directors, supervisors, manager or other senior management staff of the Company and its parent company, nor to the Connected Persons of the above-mentioned persons.

Article 173 The provisions of the preceding paragraph shall not apply to the following circumstances:

(1) the provision of a loan or loan guarantee by the Company to a subsidiary of the Company;

(2) the provision of a loan or loan guarantee or other funds by the Company to a director, a supervisor, the manager and other senior management staff of the Company under an employment contract approved by the shareholders' general meeting, so as to enable him/her to pay the expenses incurred for the sake of the Company or for the performance of his/her Company duties;

(3) the provision of a loan or loan guarantee by the Company to a relevant director, a supervisor, the manager or other senior management staff of the Company or to a Connected Person thereof on normal commercial terms, if the ordinary business scope of the Company includes the lending of money or the provision of loan guarantee.

Article 174 A loan provided by the Company in violation of the preceding article shall be immediately repayable by the recipient of the loan, regardless of the terms of the loan.

Article 175 The Company may not be forced to perform a loan guarantee provided by the Company in violation of the first paragraph of Article 172, except:

(1) when the loan is provided to a Connected Person of a director, a supervisor, the manager or other senior management staff of the Company or its parent company, the loan provider is not aware of the condition;

(2) the collateral provided by the Company has been lawfully sold by the loan provider to a bona fide purchaser.

Article 176 For the purposes of the preceding article of this chapter, the term “guarantee” shall include an act whereby a guarantor assumes liability or provides property to guarantee or secure the performance of obligations by an obligor.

Article 177 If a director, a supervisor, the manager and other senior management staff of the Company breaches his/her obligations to the Company, the Company shall, in addition to any rights and remedies provided by laws and administrative regulations, have a right to:

(1) require the relevant director, supervisor, manager and other senior management staff to compensate for the losses sustained by the Company as a consequence of his/her dereliction of duty;

(2) rescind any contract or transaction concluded by the Company with the relevant director, supervisor, manager and other senior management staff and contracts or transactions with a third party (where such third party is aware or should be aware that the director, supervisor, manager or other senior management staff representing the Company was in breach of his/her obligations to the Company);

(3) require the relevant director, supervisor, manager and other senior management staff to surrender the gains derived from the breach of his/her obligations;

(4) recover any funds received by the relevant director, supervisor, manager and other senior management staff that should have been received by the Company, including (but not limited to) commissions;

(5) require the relevant director, supervisor, manager and other senior management staff to return the interest earned or possibly earned on the funds that should have been given to the Company.

Article 178 Where a director has not attended the board meeting in person for two consecutive times and does not entrust another director to attend the board meetings, he/she shall be deemed as unable to perform his/her duties and the Board of Directors shall propose to a shareholders' general meeting to replace the director.

Article 179 A director may resign prior to expiry of his/her tenure. A resigning director shall submit a written resignation report to the Board of Directors. The Board of Directors shall disclose the relevant information within 2 days.

Where the resignation of a director will render the number of directors to fall below the minimum quorum, the original director shall continue to perform his/her duties as director pursuant to the provisions of laws, administrative regulations, departmental rules and the Articles of Association prior to appointment of his/her replacement.

Apart from the circumstances set out in the preceding paragraph, the resignation of the director shall take effect upon the receipt of the resignation report by the Board of Directors.

Article 180 The obligation and credibility of the Company's directors, supervisors, manager and other senior management staff does not necessarily cease with the termination of their office. Their obligation to keep the Company's trade secrets confidential shall remain upon termination of their office.

The validity period of other duties shall be determined based on the principle of fairness, the period from the occurrence of the event to the resignation as well as the circumstances and conditions in which he/she ends his/her relationship with the Company.

Article 181 A director, a supervisor, the manager and other senior management staff of the Company may be relieved from liability for a specific breach of obligations after the shareholders' general meeting has been informed, unless otherwise stipulated in the Articles of Association.

Article 182 The Company shall conclude and sign a written contract with each director and supervisor of the Company in respect of his/her remunerations, which shall be previously approved by the shareholder' general meeting. The aforesaid remunerations shall include:

- (1) remunerations in respect of his/her service as a director, supervisor or senior management staff of the Company;
- (2) remunerations in respect of his/her service as a director, supervisor or senior management staff of a subsidiary of the Company;
- (3) remunerations other services supporting the management of the Company and its subsidiary thereof;
- (4) funds as compensation for his/her loss of office or retirement to the aforementioned directors and supervisors.

A director or supervisor may not sue the Company for his/her benefits due to him/her on the basis of the above-mentioned matters, except under a contract as mentioned above.

Article 183 The Company shall specify in the contract concluded with a director or supervisor of the Company concerning his/her remunerations that in the event of a takeover of the Company, a director or supervisor of the Company shall, subject to prior approval of the shareholders' general meeting, have the right to receive the compensation or other funds obtainable for the loss of office or retirement.

For the purposes of the preceding paragraph, the term “a takeover of the Company” shall refer to any of the following circumstances:

- (1) anyone makes a general offer to all the shareholders;
- (2) anyone makes a general offer so that the offeror becomes a controlling shareholder as defined in Article 84 hereof.

If the relevant director or supervisor has failed to comply with this article, any fund received by him/her shall belong to those persons that have sold their shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund

on a pro rata basis shall be borne by the relevant director or supervisor which may not be paid out of such fund.

Article 184 Where it is not stipulated in the Articles of Association or without legitimate authorization by the Board of Directors, no director shall act on behalf of the Company or the Board of Directors in his/her own name. When director acts in his/her own name and a third party will reasonably assume that the director acts on behalf of the Company or the Board of Directors, the director shall state his/own stand and identity beforehand.

Article 185 A director who causes the Company to suffer loss due to his/her unauthorized resignation prior to the end of his/her term shall be liable for damages.

Article 186 Upon the approval by the shareholders' general meeting, the Company may purchase liability insurance for directors. Such insurance shall not cover the liabilities arising in connection with directors' violation of laws, regulations or the Articles of Association.

Article 187 The Company may not in any manner pay tax on behalf of its directors, supervisors, manager and other senior management staff.

Article 188 Where a director violates the provisions of laws, administrative regulations, departmental rules or the Articles of Association in the exercise of director duties and causes the Company to suffer losses, he/she shall be liable for compensation.

Article 189 Independent directors shall comply with the relevant provisions of laws, administrative regulations, and departmental rules and the listing rules of the place where the shares of the Company are listed.

Article 190 The provisions about the directors' obligations in the Articles of Association are applied to the supervisors, managers, and other senior management staff of the Company.

Section 2 Independent Director

Article 191 The Company shall establish an independent director system and the secretary of the Board of Directors shall actively cooperate with the independent directors to perform their duties. An independent director means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its substantial shareholders that could hinder him/her independent and objective judgments. The independent directors shall comprise at least one-third or more of the Directors of Board. Those who have simultaneously held the position of independent director in five domestic listed companies may no longer be nominated as candidates for independent director of the Company.

Article 192 In addition to the implementation of the provisions of Section 1 of this chapter, the provisions of the Articles of Association shall also be applied to the independent directors. If there is any discrepancy between the provisions of Section 1 of this chapter and the provisions of the Articles of Association, the provisions of the Articles of Association shall prevail.

Article 193 An independent director has a fiduciary and diligent obligation toward the Company and all its shareholders. An independent director shall, pursuant to the requirements of the relevant laws and regulations and the Articles of Association, conscientiously perform his/her duties and responsibilities, safeguard the Company's overall interests and, in particular, pay

attention to that the lawful rights and interests of small and medium shareholders are not prejudiced. An independent director shall perform his/her duties and responsibilities independently, without the interference of the substantial shareholders or the actual controller of the Company or other entities or individuals that have a material interest in the Company.

Article 194 The Company shall engage suitable persons as its independent directors. At least one of the independent directors shall be a professional accountant (professional accountant means a person with a senior title or qualifications as a certified public accountant).

Those who are nominated as candidates for independent directors as professional accountants shall have extensive accounting expertise and experience and meet at least one of the following criteria:

- (1) being qualified to practice as certified public accountant;
- (2) having senior professional title, associate professor title, or doctor's degree of accounting, auditing or financial management;
- (3) having senior professional title of economic management and more than 5 years of full time working experience in accounting, auditing, financial management and other professional positions.

If an independent director fails to meet the conditions of independence hereof or there is another circumstance hereof that makes it inappropriate for an independent director to perform the duties and responsibilities in such capacity, thereby causing the failure of the Company to meet the requirements hereof concerning the number of independent directors, the Company shall make up the number of independent directors in accordance with regulations.

Article 195 A person holding the position of independent director shall satisfy the basic conditions set forth below:

- (1) provisions of Article 146 of the *Company Law* on the qualifications of directors;
- (2) provisions of the *Public Servant Law of the People's Republic of China* on posts held by public servants concurrently;
- (3) provisions of the *Notice on Regulating Taking Office as Independent Directors and Independent Supervisors of Listed Companies and Fund Management Companies by the Central Managerial Cadres after Resignation from Public Service or Retirement* issued by the Central Commission for Discipline Inspection and the Central Organization Department;
- (4) provisions of the *Opinions on Strengthening the Construction of Anti-corruption and Building a Clean Government in Colleges and Universities* issued by the Central Commission for Discipline Inspection, Ministry of Education, and Ministry of Supervision governing concurrent positions of the leading group members in colleges and universities;
- (5) provisions of other laws, administrative regulations and departmental rules.

The independent directors shall have no related-party relationship, conflict of interests with the Company or any other circumstance which may hinder their independent and objective judgment.

Article 196 The independent directors must be independent.

The following persons may not hold the position of independent director:

- (1) persons holding a position in the Company or a subsidiary thereof and their lineal relatives and major social relations (the term “lineal relatives” means spouses, parents, children, etc. and the term “major social relations” means siblings, parents-in-law, children-in-law, siblings' spouses, spouse's siblings, etc.);
- (2) natural person shareholders who directly or indirectly hold 1% or more of the issued shares of the Company or who rank in the top ten shareholders of the Company and their lineal relatives;
- (3) persons who hold positions in the entities that directly or indirectly hold 5% or more of the issued shares of the Company or that rank in the top five shareholders of the Company and their lineal relatives;
- (4) the actual controller of the Company and persons who hold positions in the subsidiary thereof;
- (5) persons who provide financial, legal, consulting or other such services to the Company, including all project members, reviewing staff at all levels, staff who sign the report, partners, and main persons in charge of intermediary agencies which provide services;
- (6) persons who hold the position of director, supervisor or senior management staff of a unit which has a significant business relationship with the Company or its subsidiaries, or persons who hold the position of director, supervisor or senior management staff of a controlling shareholder unit of the unit thereof;
- (7) persons who, at some time in the previous year, have fallen into one of the six categories listed above;
- (8) other persons determined by the CSRC.

Article 197 The candidates for independent directors of the Company shall not have the following adverse records:

- (1) subject to any administrative punishment imposed by the CSRC in the past three years;
- (2) during the period when the stock exchange publicly announces the candidate not suitable for serving as a director of a listed company;

(3) publicly condemned or criticized for two times by the stock exchange in the past three years;

(4) during any previous tenure as an independent director, the candidate has failed to attend in person two consecutive board meetings or the number of times where he did not attend the board meeting in person accounted for more than one-third of the board meetings in that year;

(5) during any previous tenure as an independent director, the independent opinion issued by the candidate was evidently inconsistent with the facts.

Article 198 The nomination, election and replacement method of independent directors:

(1) the Company's Board of Directors, Board of Supervisors and shareholders who hold 1% or more of the issued shares of the Company separately or in aggregate may nominate candidates for independent directors, who will be decided through election by the shareholders' general meeting.

(2) the agreement of the nominee shall be obtained before the nominator nominates him/her as an independent director. The nominator shall be fully aware of such details of the nominee as occupation, educational background, title, work experience, all concurrent positions etc. The nominator shall express his/her/its opinions on the nominee's qualifications for holding the position of independent director and his/her/its independence. The nominee shall make a public statement that no relationship exists between himself/herself/itself and the Company that could affect his/her/its independent and objective judgments. The Board of Directors of the Company shall make the afore-mentioned information public in accordance with regulations before the holding of the shareholders' general meeting at which the independent director is to be elected.

(3) the Company shall simultaneously submit the relevant materials on all the nominees to the CSRC, the CSRC Qingdao Branch and the Shanghai Stock Exchange before the holding of a shareholders' general meeting at which an independent director is to be elected. If the Board of Directors of the Company has objections concerning the relevant details of a nominee, the Company shall submit the written opinions of the Board of Directors simultaneously.

Nominees against whom the CSRC has objections may serve as candidates for the directors of the Company but not as candidates for independent directors.

At the time the shareholders' general meeting to elect an independent director is convened, the Board of Directors of the Company shall elaborate on whether the CSRC has had any objections against the candidates for independent directors.

(4) persons who have been serving as independent directors for six consecutive years in the Company may no longer serve as independent directors of the Company continuously.

(5) if an independent director fails to attend in person 3 consecutive board meetings, the Board of Directors shall invite the shareholders' general meeting to replace such independent director.

An independent director may not be removed without cause before the expiration of his/her tenure, unless the afore-mentioned circumstance or a circumstance under which a person may not hold the position of director specified in the *Company Law* arises. If an independent director is removed before the expiration of his/her tenure, the Company shall disclose the same as a matter for special disclosure. If the dismissed independent director is of the opinion that the Company has dismissed him/her inappropriately, he/she may make a public statement to that effect.

(6) An independent director may submit his/her resignation before the expiration of his/her tenure. When an independent director resigns, he/she shall submit a written resignation report to the Board of Directors in which he/she provides information on any circumstances related to his/her resignation or any circumstances to which he/she believes the attention of the Company's shareholders and creditors must be drawn.

If the resignation of an independent director causes the number of independent directors in the Company's Board of Directors to fall below the minimum ratio required by law or the Articles of Association, then before the newly elected independent director assumes office, the original independent director shall still retain his/her directorship in accordance with the relevant laws, administrative regulations and the Articles of Association. The Board of Directors shall convene a shareholders' meeting to re-elect the independent director within two months. If the shareholders' meeting is not held within the time limit, such independent director may no longer perform his/her duties.

If an independent director of a listed company becomes ineligible for the qualifications of an independent director after his/her appointment, he/she shall resign from the position of independent director within 30 days from the date of such occurrence. If he/she fails to resign as required, the Board of Directors of a listed company shall start the decision-making process within 2 days to dismiss him/her from the position of independent director.

Article 199 Rights of an independent director:

(1) in order to fully exploit the functions of independent directors, in addition to the functions and powers granted to independent directors under the Company Law and other relevant laws and regulations, the Company shall grant independent directors the following special functions and powers:

(a) major related-party transactions (determined by the standards stipulated by competent regulatory authorities from time to time) shall be submitted to the Board of Directors for deliberation after the approval of the independent directors; before rendering their judgment, independent directors may engage an intermediary organization to issue an independent financial consultant report which may be utilized as a basis for rendering their judgment;

(b) proposing the engagement or dismissal of an accounting firm to the board of directors;

(c) proposing to the Board of Directors the convening of an extraordinary shareholders' general meeting;

(d) proposing the convening of a meeting of the Board of Directors;

(e) independently engaging external auditing institutions and advisory agencies;

(f) openly soliciting shareholders' voting rights before the holding of a shareholders' general meeting.

(2) major related-party transactions as well as appointment or dismissal of accounting firms of the Company shall be submitted to the Board of Directors for discussion only after obtaining the consent of more than half of all the independent directors. If the independent directors propose to the Board of Directors to convene an extraordinary general meeting, propose to convene the board meeting and openly solicit voting rights from shareholders before the shareholders' general meeting, the consent of more than one-half of the independent directors shall be obtained. With the consent of all independent directors, independent directors may independently engage external auditing institutions and advisory agencies to audit and consult on specific matters of the Company, with the related expenses borne by the Company.

(3) if any of the aforesaid proposals has not been accepted or any of the aforesaid functions and powers could not be exercised normally, the Company shall disclose the details thereof.

(4) independent directors shall account for at least one-half of the members of the remuneration and evaluation committee, audit committee, nomination committee, strategy committee or other such committees under the Board of Directors of the Company.

Article 200 Independent directors shall attend the board meetings on time, understand the production and operation of the Company, take the initiative to investigate and obtain the necessary information and documents for making decisions. Independent directors shall submit an annual report of all independent directors to the annual general meeting of the Company and clarify their performance of duties. Independent directors shall issue independent opinions on major issues of the Company:

(1) the nomination, appointment and removal of directors;

(2) the engagement or dismissal of senior management staff;

(3) the remunerations of the directors and senior management staff of the Company;

(4) existing or new fund movement between shareholders, actual controller and their connected companies and the Company, of which over 5% of the net asset value of the latest audited accounts of the Company and whether Company has adopted any effective measures to collect the debt;

(5) matters that may, in an independent director's opinion, prejudice the rights and interests of small and medium shareholders;

(6) the profit distribution plan of the Company;

(7) other matters specified in laws, regulations and regulatory documents.

With respect to the aforesaid matters, an independent director shall express one of the opinions set forth below: consent; qualified opinion and relevant reasons; objection and relevant reasons; inability to express opinion and obstacles.

If the relevant matter is a matter requiring disclosure, the Company shall make a public announcement of the independent directors' opinions. If the independent directors fail to reach a consensus in their opinions, the Company shall disclose each of the independent directors' respective opinions.

Article 201 The Company shall provide necessary conditions to ensure that the independent directors effectively exercise their functions and powers.

(1) The Company shall ensure that independent directors enjoy the same right to know as other directors, timely provide independent directors with relevant materials and information, regularly report the operations of the Company and organize independent directors to conduct site visits if necessary. For any matter that requires the decision-making of the Board of Directors, the Company must give independent directors the prior notice by the statutory deadline and provide them with sufficient information. If an independent director is of the opinion that the information provided is insufficient, he/she may ask for further information. If two or more independent directors are of the opinion that the information provided is insufficient or further clarification is necessary, they may jointly propose to the Board of Directors in writing that the meeting of the board or the deliberations on the matter in question should be postponed. The Board of Directors shall accept such a proposal.

The information provided to an independent director by the Company shall be kept by the Company and the independent director for a period of at least 5 years.

(2) The Company shall provide the working conditions necessary for independent directors to perform their duties and responsibilities. The secretary of the Board of Directors of the Company shall provide the assistance necessary for independent directors to perform their duties and responsibilities, including but not limited to explaining circumstances and providing materials, etc. The secretary of the Board of Directors shall handle at the stock exchange the matters relating to the announcement of independent opinions, proposals and written statements provided by independent directors that shall be announced.

(3) When an independent director exercises his/her functions and powers, the relevant personnel of the Company shall actively cooperate with him/her and may not refuse to cooperate, hinder him, conceal information from him/her or interfere with his independently exercising his/her functions and powers.

(4) The expenses incurred by independent directors when engaging intermediary organizations or required when otherwise exercising their functions and powers shall be borne by the Company.

(5) The Company shall provide an appropriate allowance to independent directors. The proposed rate for such allowance shall be formulated by the Board of Directors, deliberated and adopted by the shareholders' general meeting and disclosed in the Company's annual report.

Independent directors shall not receive any extra, undisclosed other benefits from the listed company, its substantial shareholders or interested organizations or individuals other than the aforesaid allowance.

(6) The Company may establish necessary independent director liability insurance systems in order to mitigate the risks that may arise in the normal performance by independent directors of their duties and responsibilities.

Section 3 Board of Director

Article 202 The Company shall establish a Board of Directors which is accountable to the shareholders' general meeting.

The Board of Directors shall comprise nine directors, of whom three shall be independent directors. There shall be one chairman and one or two deputy chairmen.

Article 203 The Board of Directors shall exercise the following powers and functions:

(1) convening the shareholders' general meeting and submitting work reports to the shareholders' general meeting;

(2) implementing resolutions of the shareholders' general meeting;

(3) determining the Company's operation plans and investment schemes;

(4) formulating the Company's annual budgets and final accounts;

(5) formulating the Company's profit distribution plan and plan for making up of losses;

(6) formulating the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;

(7) formulating the Company's plans for significant acquisition, merger and acquisition, division, dissolution and change of corporate form;

(8) determining the matters relating to the acquisition of shares of the Company due to the circumstances specified in item (3), (5) and (6) of Article 34 of the Articles of Association;

(9) determining, within the scope of the mandate granted by the shareholders' general meeting, the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party transactions, etc.;

(10) determining setting up of the Company's internal management organizations;

(11) appointment or dismissal of the Company's manager and the secretary of the Board of Directors; appointment or dismissal of the senior management staff such as the Company's

deputy manager or financial responsible person based on nomination by the manager, and determining their remunerations and incentives and penalties;

(12) formulating the Company's basic management rules;

(13) formulating plans for amendment of the Articles of Association;

(14) managing information disclosure by the Company;

(15) proposing to the shareholders' general meeting on the appointment or replacement of accounting firm which provides audit services to the Company;

(16) listening to the Company manager's work reports and inspecting the manager's work performance;

(17) determining the Company's charitable and relief donations with the annual aggregate amount being no more than RMB 20 million (inclusive);

(18) any other functions and powers accorded by laws, administrative regulations, departmental rules or the Articles of Association.

Resolutions by the Board of Directors on matters referred to in the preceding paragraph may be passed by the affirmative vote of more than half of the directors with the exception of resolutions on matters referred to in Items (6), (7), (8) and (13), which shall require the affirmative vote of more than two-thirds of the directors.

Article 204 The Board of Directors shall provide an explanation to the shareholders' general meeting on a non-standard audit opinion issued by a certified public accountant for the Company's financial report.

The Board of Directors shall formulate the rules of procedure for Board of Directors to ensure that the Board of Directors implement resolutions of shareholders' general meetings, improve its work efficiency and ensure rational decision-making.

Article 205 When the Board of Directors disposes of fixed assets, such as the expected value of the consideration for the proposed disposal of fixed assets and the sum of the value of the consideration for disposal of fixed assets made in the 4 months immediately preceding the proposed disposal exceeds 33% of the value of the fixed assets shown in the latest balance sheet placed before the shareholders' general meeting, the Board of Directors may not dispose of the fixed assets without prior approval of the shareholders' general meeting.

For the purposes of this article, the term "disposal of fixed assets" shall include an act involving the transfer of an interest in certain assets but does not include the provision of fixed assets by way of security.

The validity of transactions whereby the Company disposes the fixed assets shall not be affected by the breach of the first paragraph hereof.

Article 206 The Board of Directors shall establish stringent examination and decision-making procedures for the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management and related party transactions; with respect to significant investment projects, the Board of Directors shall organize relevant experts and professionals to appraise and submit the same to the shareholders' general meeting for approval.

The Board of Directors exercises its powers on the following matters:

(1) determining the following transactions of the Company (other than providing guarantees, receiving endowment of cash assets and purely reducing or canceling the Company's debts):

(a) total assets involved in any transaction (the higher of book value or assessed value, if both exist) amounting to no more than 50% (exclusive) of the listed company's latest audited total assets; if the Company conducts transactions such as the provision of financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts within twelve consecutive months based on transaction category; if the Company conducts transactions other than the provision of guarantees or financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts of all transactions in connection with the related object under the same transaction category within twelve consecutive months;

(b) value of any transaction (including the debts and expenses incurred) amounting to no more than 50% (exclusive) of listed company's latest audited net assets; if the Company conducts transactions such as the provision of financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts within twelve consecutive months based on transaction category; if the Company conducts transactions other than the provision of guarantees or financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts of all transactions in connection with the related object under the same transaction category within twelve consecutive months;

(c) in case of purchase or sale of assets by the Company, the cumulative amount of total assets or transaction value involved in such transactions within twelve consecutive months shall be no more than 30% of the Company's latest audited total assets;

(2) determining placement or issuance of new shares, convertible bonds, warrants and other equity instruments by Haier Electronics Group Co., Ltd. (a subsidiary controlled by the Company under the consolidated statements) within 20% of its total share capital, and grant of options and share buy-back arrangements of Haier Electric Group Co., Ltd. within 10% of its total share capital in accordance with relevant laws and regulations of its place of incorporation and place of listing and the Listing Rules of the Stock Exchange of Hong Kong Limited, except for those which shall be approved by the shareholders' general meeting of the Company based on the total assets or transaction value involved in the transactions or the nature of the transactions;

(3) determining guarantees other than those set forth in Article 85 of the Articles of Association;

(4) determining any related party transaction with value amounting to no more than 5% (exclusive) of the Company's latest audited net assets (absolute value);

(5) determining any other matters accorded by the shareholder's general meeting in form of resolutions.

If a number involved in the above indicators is negative, its absolute value shall be taken for the purpose of calculation.

The above matters which are otherwise provided for in laws and regulations, listing rules and the Articles of Association shall be excluded.

Article 207 The Board of Directors of the Company shall establish special committees such as strategy committee, audit committee, nomination committee and remuneration and evaluation committee according to the relevant resolutions of the shareholder's general meeting. All members of special committees shall comprise directors. Independent directors shall be the majority in the audit committee, nomination committee, remuneration and evaluation committee and shall serve as conveners. At least one independent director in the audit committee shall be accounting professional.

Article 208 The main responsibilities of the strategy committee are to study and advise on the Company's long-term development strategy, major investment decisions and plan for returns to shareholders.

Article 209 The main responsibilities of the audit committee are to:

- (1) propose engagement or replacement of the external audit institutions;
- (2) supervise the Company's internal audit system and its implementation;
- (3) coordinate the communication between the internal audit and external audit;
- (4) review the Company's financial information and its disclosure;
- (5) review the Company's internal control system;
- (6) formulate annual or interim profit distribution plan.

Article 210 The main responsibilities of the nomination committee are to:

- (1) study and advise on criteria and procedures for selecting directors and manager;
- (2) conduct extensive search on qualified candidates for directors and manager;
- (3) review and advise on candidates for directors and manager.

Article 211 The main responsibilities of the remuneration and evaluation committee are to:

(1) study criteria for performance review for directors and manager and conduct and advise on performance review;

(2) study and review remuneration policy and system for directors and senior management staff.

Article 212 The aforesaid special committees may engage intermediary agencies to provide professional advice with relevant expense borne by the Company.

Article 213 All of the special committees shall be accountable to the Board of Directors. The proposal of each special committee shall be submitted to the Board of Directors for deliberation and decision.

Article 214 Where the certified public accountant has issued an audit report with explanatory notes, qualified opinion, disclaimer of opinion or adverse opinion, the Board of Directors shall provide the shareholder's general meeting with an explanation on the relevant matters resulting in the issuance of such opinion by the accounting firm as well as the impacts on the Company's financial and operating conditions. If such matter has direct impacts on the profit for the current period, the Board of Directors of the Company shall determine the profit distribution plan or the plan for capitalization of capital reserves (whichever is lower).

Article 215 The Chairman and deputy Chairmen shall be served by the directors of the Company and elected and dismissed by a simple majority of all directors.

Article 216 The Chairman of the Board of Directors shall exercise the following powers and functions:

- (1) presiding over shareholders' general meetings, and convening and presiding over board meetings;
- (2) supervising and inspecting implementation of resolutions of the Board of Directors;
- (3) signing corporate stocks, corporate bonds and other valuable securities;
- (4) signing important documents of the Board of Directors and other documents that are required to be signed by the legal representative of the Company;
- (5) exercising the legal representative's powers and functions;
- (6) in cases of an emergency of force majeure such as catastrophic natural disasters, exercising special powers to deal with the Company's affairs in compliance with the law and the interests of the Company, and reporting to the Board of Directors and the shareholders' general meeting of the Company afterwards;
- (7) exercising any other power and function granted by the Board of Directors.

Article 217 The deputy Chairmen shall assist the Chairman in performance of his/her duties. Where the Chairman is unable or fails to perform his/her duties, the deputy Chairmen

shall perform the duties (where there are two or more deputy Chairmen, the deputy Chairman jointly elected by a simple majority of the directors shall perform the duties); where the deputy Chairmen are unable or fail to perform the duties, a director jointly elected by a simple majority of the directors shall perform the duties.

Article 218 The Board of Directors shall hold at least four meetings every year; the Chairman shall convene the board meetings and issue a written notice to all the directors and supervisors in 10 days before the meeting is held.

Article 219 Shareholders holding 1/10 or more of the voting rights, 1/3 or more of the directors, 1/2 or more of the independent directors, the manager or the Board of Supervisors may propose to hold an interim board meeting. The Chairman shall convene and preside over a board meeting within 10 days after the receipt of such proposal.

Article 220 The notification method for convening of an interim board meeting shall be phone call, email or fax. A notice shall be given to all the directors in two days before the meeting is held, except for the interim board meetings held under special or urgent circumstances.

Article 221 A notice of board meeting shall include the following contents:

- (1) date and venue of meeting;
- (2) duration of the meeting;
- (3) subject matter and agenda items;
- (4) date of notice.

Article 222 The quorum of a board meeting shall be a simple majority of the directors. The resolution proposed by the Board of Directors shall be passed by a simple majority of all the directors, unless otherwise stated in the Articles of Associations.

Each director has one vote when voting for board resolutions.

When the negative votes and the affirmative votes are the same, the Chairman has one more casting vote.

Article 223 A director who is related to an enterprise involved in a board resolution shall abstain from voting for the board resolution and shall not represent another director in exercise of voting rights. The board meeting may be held with the quorum of a simple majority of unrelated directors and resolutions to be passed at the board meeting shall be passed by simple majority of votes of unrelated directors. Where the number of unrelated directors present at the board meeting is less than 3, the matter shall be submitted to the shareholders' general meeting for deliberation.

Article 224 The voting method for board resolutions shall be voting by show of hands.

An interim board meeting may, on the premise that full expression of opinions by directors are guaranteed, be conducted in form of tele-conference (including telephone conference, video

Conference and written proposal or other off-site conference forms) and pass resolutions; the directors present at the meeting shall sign the resolutions.

Article 225 Directors shall attend board meetings personally; where a director is unable to attend a board meeting for some reason, he/she may entrust another director in writing to attend the meeting on his/her behalf. The proxy form shall state the name of the proxy, the matters to be represented, the scope of authorization and the validity period, and the entrusting party shall sign or affix seal thereto. The director who attends the meeting on his/her behalf shall exercise the director's rights within the scope of authorization. Where a director does not attend a board meeting and does not appoint a proxy to attend on his/her behalf, he/she shall be deemed to forfeit his/her voting rights at the said meeting.

Article 226 The Board of Directors shall keep minutes on resolutions of the meetings on the agenda items, which shall be signed by the directors who are present at the meeting.

The minutes of the board meeting shall be kept as the files of the Company for a period of not less than 10 years.

Article 227 The minutes of a board meeting shall include the following contents:

- (1) the date and venue of the meeting and the name of the convener;
- (2) the names of directors who are present at the meeting and the names of directors (proxies) entrusted to attend the board meeting;
- (3) the agenda of the meeting;
- (4) key points of speeches by the directors;
- (5) the voting method and results for each resolution (the voting results shall specify the number of affirmative, objection or abstention votes).

The directors shall sign on and be liable for the resolutions of the Board of Directors. If a resolution of the Board of Directors is in violation of any laws, regulations or the Articles of Association, which results in any losses to the Company, the directors involved in the resolution shall be liable to indemnify the Company. However, any director who is proven to have expressed his/her objection to such resolution in voting and whose objection has been recorded in the minutes may be exempted from liabilities.

Section 4 Secretary of the Board of Directors

Article 228 The Board of Directors shall appoint a secretary of the Board of Directors. The secretary of the Board of Directors shall be a senior management staff of the Company, who is accountable to the Company and the Board of Directors and acts as the designated contact person between the Company and the relevant stock exchanges and securities authorities.

Article 229 The secretary of the Board of Directors shall have necessary expertise and experience and be appointed by the Board of Directors.

The provisions of Article 160 hereof on inappropriate candidates for directors shall apply to the secretary of the Board of Directors.

Article 230 The main responsibilities of the secretary of the Board of Directors are as follows:

(1) being responsible for release of the Company's information, coordinating the information disclosure of the Company, organizing the establishment of management systems for information disclosure of the Company, and urging the Company and the relevant persons with information disclosure obligations to observe relevant disclosure regulations; and to ensure that the Company prepares and submits according to law the documents and reports required by relevant authorities;

(2) being responsible for investor relationship management, coordinating communications between the Company and the securities regulatory authority, investors, securities service agencies and public media;

(3) organizing and preparing the board meetings and the shareholders' general meetings, attending the shareholders' general meetings, the board meetings, the meetings of the Board of Supervisors and the meetings of senior management staff, and keeping and signing the minutes of the board meetings; and guaranting that the Company has complete organizational documents and records;

(4) being responsible for confidentiality with respect to information disclosure of the Company, and reporting to the Shanghai Stock Exchange and making disclosure in a timely manner whenever any non-published material information is leaked;

(5) paying close attention to media coverage, ascertaining whether the coverage is true or not and urging the Board of Directors to respond to the inquiries of the Shanghai Stock Exchange in a timely manner;

(6) organizing trainings for directors, supervisors and senior management staff of the Company on relevant laws, administrative regulations, listing rules and relevant regulations, and helping them to have a clear grasp of their respective responsibilities with respect to information disclosure;

(7) whenever the secretary of the Board of Directors becomes aware that any of directors, supervisors and senior management staff has violated laws, administrative regulations, departmental rules, other regulatory documents, listing rules, other regulations of the Shanghai Stock Exchange or the Articles of Association or that the Company makes or is likely to make any decision in violation of relevant regulations, reminding the relevant person and promptly reporting to the Shanghai Stock Exchange;

(8) being responsible for equity management affairs, preserving the documents evidencing the holdings of the Company's share by the Company's directors, supervisors, senior management staff, controlling shareholder and their directors, supervisors and senior management staff and being responsible for disclosing any changes in the shareholdings of directors, supervisors, senior management staff of the Company; and guaranting that the Company's register of shareholders is properly established and that persons entitled to relevant records and documents of the Company obtain such records and documents in a timely manner;

(9) other duties prescribed in the *Company Law* or required by the CSRC or the securities regulation authorities of the place where the stock is listed.

Article 231 The Company shall provide conveniences for the secretary of the Board of Directors to perform his/her duties. The directors, supervisors, other senior management staff and relevant persons of the Company shall support and cooperate with the secretary of the Board of Directors in his/her work.

In the performance of his/her duties, the secretary of the Board of Directors shall be entitled to look into the financial and operating conditions of the Company, to participate in relevant disclosure-related meetings, to consult all the disclosure-related documents and to require the relevant departments and persons of the Company to furnish relevant materials and information in a timely manner.

In case that the secretary of the Board of Directors meets with improper interference and serious obstruction in the performance of his/her duties, he/she may report directly to the Shanghai Stock Exchange.

Article 232 Directors (other than independent directors) or other senior management staff of the Company may concurrently hold the position of secretary of the Board of Directors of the Company. The certified public accountants and lawyers of the accounting firms or law firms engaged by the Company may not concurrently hold the position of secretary of the Board of Directors of the Company. The secretary of the Board of Directors shall have financial, management and legal expertise as required for performing his/her duties, good professional and personal ethics and have obtained the training certificate for board secretaries issued by the Shanghai Stock Exchange. Any of the following persons shall not serve as the secretary of the Board of Directors:

- (1) any person enumerated in Article 146 of the *Company Law*;
- (2) any person who has been subject to any administrative sanction imposed by the CSRC in the most recent three years;
- (3) any person who has been censured publicly or criticized more than three times through circulating notices by stock exchanges in the most recent three years;
- (4) any person who is the incumbent supervisor of the Company;
- (5) any other person deemed by the Shanghai Stock Exchange as inappropriate for serving as the secretary of the Board of Directors.

Article 233 The Company shall file the following materials with the Shanghai Stock Exchange in five trading days before convening a board meeting for the appointment of the secretary of the Board of Directors. If the Shanghai Stock Exchange does not raise any objection to the qualification of candidates for the secretary of the Board of Directors, the Company may convene a board meeting for appointing the secretary of the Board of Directors:

- (1) recommendation letter of the board of directors, including the description of the qualifications of the recommendee' s (candidate' s) for the post of the secretary of the Board of Directors as stipulated in this rules, his/her current position and work performance, etc;

(2) curriculum vitae and a photocopy of the academic certificate of the candidate;

(3) a photocopy of the candidate's training certificate for secretary of the Board of Directors issued by the Shanghai Stock Exchange.

Article 234 The Company shall, while appointing a secretary of the Board of Directors, appoint a securities affairs representative to assist the secretary of the Board of Directors in performing his/her duties. In case that the secretary of the Board of Directors is unable to perform his/her duties, the securities affairs representative shall perform the duties and exercise the powers in place of the secretary of the Board of Directors. During such period, the secretary of the Board of Directors shall not be naturally exempted from his/her responsibilities for the Company's information disclosure affairs. The securities affairs representative shall have obtained the training certificate for secretary of the Board of Directors issued by the Shanghai Stock Exchange.

Article 235 After the Company appoints a secretary of the Board of Directors and a securities affairs representative, it shall publish an announcement and submit the following materials to the Shanghai Stock Exchange in a timely manner:

(1) appointment letters for the secretary of the Board of Directors and the securities affairs representative or relevant resolutions of the Board of Directors;

(2) contact details of the secretary of the Board of Directors and the securities affairs representative, including office phone number, home phone number, mobile phone number, facsimile number, correspondence address and e-mail etc.;

(3) contact details of the Chairman of the Board of Directors, including office telephone number, mobile phone number, facsimile number, correspondence address and e-mail, etc.

In case of any change in the aforesaid contact details, the Company shall submit the updated information to the Shanghai Stock Exchange in a timely manner.

Article 236 The Company shall not dismiss the secretary of the Board of Directors without sufficient reasons.

If the secretary of the Board of Directors is dismissed or resigns from his/her position, the Company shall, in a timely manner, report to the Shanghai Stock Exchange and state reasons therefor and make an announcement.

The secretary of the Board of Directors shall be entitled to submit to the Shanghai Stock Exchange a personal statement on the Company's improper dismissal or other matters related to the resignation.

Article 237 Upon the occurrence of any of the following circumstances, the Company shall dismiss the secretary of the Board of Directors within one month from the date when such circumstance comes into existence:

(1) any of the circumstances enumerated in Article 232;

(2) the secretary of the Board of Directors is unable to perform his/her duties for more than three consecutive months;

(3) the secretary of the Board of Directors commits a major mistake or gross negligence in the performance of his/her duties, thus causing heavy losses to investors;

(4) the secretary of the Board of Directors violates laws, regulations, regulatory documents, this rule, other regulations of the Shanghai Stock Exchange and the Articles of Association, thus causing heavy losses to investors.

Article 238 When appointing a secretary of the Board of Directors, the Company shall enter into a confidentiality agreement with the secretary of the Board of Directors, requiring him/her to make an undertaking to fulfill the obligation of confidentiality on an ongoing basis during his/her term of office and after leaving office until the relevant information has been disclosed, except for the information relating to the Company's violations of laws and regulations.

Before leaving office, the secretary of the Board of Directors shall be subject to the inspection of the Board of Directors and the Board of Supervisors, and, under the supervision of the Board of Supervisors, hand over relevant archives, documents as well as any matters being handled or to be handled.

Article 239 During the period when the office of the secretary of the Board of Directors is vacant, the Company shall designate one director or senior management staff to perform the duties of the secretary of the Board of Directors and file the same with the Shanghai Stock Exchange. Meanwhile, it shall determine the candidates for secretary of the Board of Directors as soon as possible. Before the Company designates an acting secretary of the Board of Directors to perform the duties of the secretary of the Board of Directors, the Chairman of the Board of Directors shall perform such duties in place of the secretary of the Board of Directors.

If the vacancy remains unfilled for more than three months, the Chairman of the Board of Directors shall perform the duties of the secretary of the Board of Directors until a new secretary of the Board of Directors is appointed by the Company.

Article 240 The Company shall ensure that the secretary of the Board of Directors participates in the follow-up training programs for secretary of the Board of Directors organized by the Shanghai Stock Exchange during his/her term of office as required.

Article 241 The information disclosure and equity management affairs handled in the name of the Company by the secretary of the Board of Directors, the person who performs the duties in place of the secretary of the Board of Directors as prescribed in Article 239 hereof or the securities affairs representative are acceptable to the Shanghai Stock Exchange.

The secretary of the Board of Directors shall comply with relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association. The secretary of the Board of Directors shall be nominated by the Chairman of the Board of Directors and appointed or dismissed by the Board of Directors. Any director or any other senior management staff of the Company may concurrently serve as the secretary of the Board of Directors. The accountants of the accounting firm engaged by the Company shall not serve as the secretary of the Board of Directors concurrently. Where a director concurrently serves as the secretary of the

Board of Directors, such person who concurrently serves as the director and the secretary of the Board of Directors shall not act in a dual capacity if an act is to be performed by the director or the secretary of the Board of Directors respectively.

CHAPTER 7 MANAGERS AND OTHER SENIOR MANAGERS STAFF

Article 242 The Company shall have one manager to be appointed or dismissed by the Board of Directors.

The Company shall have several deputy managers to be appointed or dismissed by the Board of Directors.

The Company's manager, deputy manager, chief finance officer and the secretary of the Board of Directors shall be the Company's senior management staff.

Article 243 The provisions of Article 160 hereof where a person is prohibited from acting as a director shall apply to senior management staff.

The fiduciary obligations and the diligent obligations stipulated in the Articles of Association shall apply to senior management staff concurrently.

Article 244 Persons who hold positions other than director in the units of the Company's controlling shareholder and actual controller shall not serve as the Company's senior management staff.

Article 245 The term of office of the manager shall be 3 years and the manager may be re-appointed upon the expiration of his/her term.

Article 246 The manager shall be accountable to the Board of Directors and shall exercise the following powers and functions:

- (1) presiding over production and operation management of the Company, organizing implementation of board resolutions and reporting to the Board of Directors on his/her work;
- (2) Organizing the implementation of the Company's annual business plans and investment plans;
- (3) formulating plans for establishment of internal management organizations of the Company;
- (4) formulating basic management rules of the Company;
- (5) formulating specific rules and regulations of the Company;
- (6) proposing to the Board of Directors on appointment or dismissal of the Company's deputy manager, chief finance officer and other senior management staff recognized by the CSRC;
- (7) determining the appointment or dismissal of management personnel other than those whose appointment or dismissal is decided by the Board of Directors;

(8) determining wages, benefits, rewards and punishments for the employees of the Company and determining the hiring and dismissal of the employees of the Company;

(9) proposing the convening of interim board meetings;

(10) determining charitable and relief donations with annual accumulative amount being no more than RMB20 million (inclusive) and single amount being no more than RMB10 million (inclusive);

(11) any other power and function granted by the Articles of Association or the board of directors.

The manager shall attend the board meetings, but he/she has no voting rights at the board meetings if he/she is not a director.

Article 247 The manager shall formulate the manager working rules and submit the same to the Board of Directors for approval before implementation.

Article 248 The manager working rules shall include the following contents:

(1) criteria, procedures and participating personnel for holding the manager meetings;

(2) respective duties of and the division of work between the manager and other senior management staff;

(3) authority limits for application of the Company's funds and assets, execution of material contracts and the reporting system to the Board of Directors and the Board of Supervisors;

(4) any other matters deemed necessary by the Board of Directors.

Article 249 In the exercise of his/her functions and powers, the manager shall perform his/her duties in good faith and with diligence in accordance with laws, administrative regulations and the Articles of Association, protect the interests of the Company and the shareholders, and not make use of its position and functions and powers in the Company to seek personal gains.

Article 250 The manager may submit the resignation prior to the expiration of his/her term of office. The detailed procedures and methods relating to resignation of the manager shall be stipulated in the service contract between the manager and the Company.

Article 251 The appointment and dismissal of the manager shall be in compliance with the statutory procedures and made public.

CHAPTER 8 BOARD OF SUPERVISORS

Section 1 Supervisor

Article 252 The provisions of Article 160 hereof where a person is prohibited from acting as a director shall also apply to candidates for supervisors.

Directors, the manager and other senior management staff shall not serve as supervisors concurrently.

Article 253 Supervisors shall comply with laws, administrative regulations and the Articles of Association and bear fiduciary obligations and diligent obligations towards the Company; supervisors shall not make use of their powers and functions to accept bribes or other illegal income and shall not encroach upon the properties of the Company.

Article 254 The term of office of supervisors shall be 3 years. Supervisors served by shareholders shall be elected or replaced by the shareholders' general meeting. Supervisors served by employees shall be democratically elected or replaced by the employees of the Company. A supervisor may be re-appointed upon the expiration of his/her term of office.

Article 255 Where a re-election is not promptly carried out upon expiry of the term of office of a supervisor or the resignation of a supervisor during his/her term office will render the number of supervisors to fall below the minimum quorum, the original supervisor shall continue to perform supervisor duties pursuant to the provisions of laws, administrative regulations and the Articles of Association prior to appointment of his/her replacement.

Article 256 If a supervisor fails to attend the meetings of the Board of Supervisors and does not entrust another supervisor to vote on his/her behalf in writing for two consecutive times, the supervisor shall be deemed to be unable to perform his/her duties. The shareholders' general meeting or the employee representatives' assembly shall replace such supervisor.

Article 257 Supervisors shall ensure the truthfulness, accuracy and completeness of the information disclosed by the Company.

Article 258 Supervisors may be in attendance at the board meetings and raise questions or suggestions on the resolutions of the Board of Directors.

Article 259 Supervisors shall not make use of their relationships to harm the interests of the Company; where the Company suffers losses thereto, the supervisors shall be liable for compensation.

Article 260 Supervisors shall faithfully perform their supervisory duties in accordance with laws, administrative regulations, departmental rules, the regulatory rules of the place where the shares of the Company are listed and the Articles of Association. If a supervisor fails to perform his/her duties when he/she knows or should know any violation of laws, administrative regulations or the Articles of Association and damages to the interests of the Company conducted by any director or senior management staff, he/she shall assume corresponding responsibilities. Where a supervisor violates the provisions of laws, administrative regulations, departmental rules or the Articles of Association in his/her execution of company duties and causes the Company to suffer losses thereto, he/she shall be liable for compensation.

Section 2 Board of Supervisors

Article 261 The Company shall establish a Board of Supervisors. The Board of Supervisors shall comprise 3 supervisors and shall have a chairman. The chairman of the Board of Supervisors shall be elected by a simple majority of all the supervisors. The chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors; where the chairman of the Board of Supervisors is unable or fails to perform his/her duties, the deputy chairman of the Board of Supervisors shall convene and preside over the meetings of the Board of Supervisors; where the deputy chairman of the Board of Supervisors is unable or fails

to perform his/her duties, a supervisor elected by a simple majority of the supervisors shall convene and preside over the meetings of the Board of Supervisors. The Board of Supervisors shall include shareholder representatives and an appropriate percentage of employee representatives, and the ratio of employee representatives shall not be less than one-third. The employee representatives in the Board of Supervisors shall be elected by the employees of the Company through the employee representatives' assembly, employees' assembly or any other democratic form.

Article 262 The Board of Supervisors shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers:

(1) examining regular reports of the Company prepared by the Board of Directors and issuing written examination opinions;

(2) inspecting the financial position of the Company;

(3) supervising performance of duties of the Company by directors and senior management staff, and proposing the termination of appointment of directors and senior management staff who have violated laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meeting;

(4) where directors or senior management staff has acted against the interests of the Company, requiring the director or senior management staff to make correction and reporting to the shareholders' general meeting or the competent State authorities if necessary;

(5) proposing the convening of an interim general meeting, convening and presiding over the shareholders' general meetings where the Board of Directors does not perform the duties stipulated by the *Company Law* on convening and presiding over the shareholders' general meeting;

(6) making proposals to the shareholders' general meeting;

(7) filing a lawsuit against a director or senior management staff;

(8) verifying financial information such as financial reports, business reports, profit distribution plans, etc. that the Board of Directors intends to submit to the shareholders' general meeting and, if in doubt, a registered accountant or practicing auditor shall be appointed in the name of the Company to assist in reviewing such information. The reasonable expenses incurred by the Board of Supervisors in the employment of professionals such as lawyers, registered accountants, practicing auditors, etc. in the exercise of its functions and powers shall be borne by the Company.

Article 263 The Board of Supervisors shall convene at least one meeting every 6 months and a notice shall be given to all the supervisors in writing in 10 days before the meeting is held. A supervisor may propose to convene an interim meeting of the Board of Supervisors and a notice shall be given to all the supervisors in two days before the meeting is held, except for the interim meetings of the Board of Supervisors which are held under special or urgent circumstances.

Article 264 Resolutions of the Board of Supervisors shall be passed by a simple majority of the supervisors.

Article 265 The Board of Supervisors shall formulate rules of procedure for Board of Supervisors and specify the rules and voting procedures for meetings of the Board of Supervisors to ensure work efficiency and rational decision-making of the Board of Supervisors.

Article 266 The Board of Supervisors shall keep minutes on decisions of the meeting on the agenda items, which shall be signed by the supervisors attended the meeting.

Supervisors shall have the right to require that the minutes include certain explanatory records for speeches made at the meeting. The minutes of meetings of the Board of Supervisors shall be kept as the files of the Company for at least 10 years.

Article 267 A notice of meeting of Board of Supervisors shall include the following contents:

- (1) the date and venue of the meeting and duration of the meeting;
- (2) the subject matter and agenda items;
- (3) date of notice.

CHAPTER 9 FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Section 1 Financial Accounting System

Article 268 The Company shall formulate its financial accounting system pursuant to the provisions of laws, administrative regulations and the relevant State authorities.

Article 269 The Company shall prepare the interim financial reports of the Company within 60 days from the end of the first 6 months of each fiscal year and prepare the annual financial reports of the Company within 120 days from the end of each fiscal year.

Article 270 The financial statements of the Company shall be prepared not only in accordance with China's accounting standards, laws and regulations, but also in accordance with international accounting standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements. For purposes of the Company's distribution of after-tax profits in a given fiscal year, the smaller amount of after-tax profits shown in the above-mentioned two kinds of financial statements shall prevail.

Article 271 Interim results or financial information published or disclosed by the Company shall be prepared in accordance with China's accounting standards, laws and regulations as well as international standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed.

Article 272 The Company shall submit its annual financial accounting report to the CSRC and the Shanghai Stock Exchange within 4 months from the end of each fiscal year, submit its interim financial accounting report to the CSRC's Qingdao Branch and the Shanghai Stock Exchange within 2 months from the end of the first half of each fiscal year and submit quarterly financial accounting reports to the CSRC's Qingdao Branch and the Shanghai Stock Exchange within 1 month from the end of the first 3 months and first third quarters of each fiscal year.

The aforesaid financial accounting reports shall be formulated pursuant to the provisions of the relevant laws, administrative regulations and departmental rules.

Article 273 The Board of Directors shall present the shareholders at each shareholders' general meeting such financial reports as relevant laws, administrative regulations and regulatory documents prepared by the Company.

Article 274 The financial reports of the Company shall be placed in the Company and made available for inspection by shareholders in 20 days prior to an annual general meeting. Each shareholder of the Company shall have the right to obtain the financial reports referred to in this chapter.

Article 275 The Company's annual financial reports and interim financial reports for interim profit distribution shall include the following contents:

- (1) balance sheet;
- (2) profit statement;
- (3) profit distribution statement;
- (4) statement of change in financial position (or statement of cash flow);
- (5) notes to financial statement.

If the Company does not make interim profit distribution, the interim financial reports shall include the aforesaid accounting statements and notes other than Item (3).

Article 276 Except for statutory accounts books, the Company shall not establish additional accounting books. The Company's assets shall not be deposited in any account opened in the name of any individual.

The profits after income tax paid by the Company shall be distributed in the following order:

- (1) making up the Company's losses in the previous year;
- (2) drawing 10% to the Company's statutory reserve;
- (3) draw discretionary reserve;

(4) pay dividends to shareholders.

When the Company's statutory reserve attains above 50% of the registered capital of the Company, the Company may cease to make such withdraw. After withdrawing the statutory reserve, the shareholders' general meeting may decide on whether to draw discretionary reserve. The Company shall not distribute dividends to shareholders before making up the Company's losses and drawing the statutory reserve.

Where the Company's statutory reserve is inadequate to make up losses in previous years, the Company shall, prior to withdrawing the statutory reserve pursuant to the provisions of the preceding paragraph, use the profits of the current year to make up the losses.

Upon resolution by the shareholders' general meeting, the Company may, after withdrawing the statutory reserve from the profits after tax, withdraw any discretionary reserve from the profits after tax.

Where the shareholders' general meeting violates the provisions of the preceding paragraph in distributing profits to shareholders prior to making up for the losses and withdrawing statutory reserve, the shareholders shall return the profits which are distributed in violation of the provisions to the Company.

Article 277 The shares of the Company held by the Company shall not participate in the distribution of profits.

Article 278 The Company's reserves shall be used for making up for the losses of the Company, expanding the Company's manufacturing and business operations or being converted to the Company's additional capital. However, the capital reserve shall not be used to make up for the losses of the Company. Where the statutory reserve is converted to capital, the remaining reserve shall not be less than 25% of the Company's registered capital prior to the conversion.

The capital reserve shall include the following funds:

(1) the premiums obtained from the issue of shares in excess of the par value;

(2) other revenue required by the State Council's department in charge of finance to be included in the capital reserve.

Article 279 Upon passing of a resolution on profit distribution scheme of the Company by the shareholders' general meeting, the Board of Directors shall complete the distribution of dividends (or shares) within 2 months after the convening of the shareholders' general meeting.

Article 280 The Company shall implement an active profit distribution method:

(1) The profit distribution of the listed company shall be focused on providing reasonable investment returns to investors. Profit distribution may be carried out in form of cash dividends or stock dividends or by interim cash profit distribution. Profit distribution policy shall maintain consistency and stability. In case that the conditions for both cash dividends and stock dividends are satisfied, cash dividends shall prevail.

(2) The Company's profit distribution policy (including plan of returns to shareholders, annual profit distribution plan and interim cash distribution plan etc.) shall be formulated by the Board of Directors based on the business development and business performance of the Company and submitted to the shareholders' general meeting for examination and approval.

Subject to the satisfaction of capital needs of the Company's normal production and operation, if there is no material investment plan or significant capital outlay, the annual cash dividends of the Company in the future shall account for no less than 20% of the profits realized by the Company in that year which are available for distribution and attributable to the shareholders of the Company in principle, but in any event no less than 15% according to actual conditions each year.

Subject to the satisfaction of conditions for cash dividends distribution, the Company shall carry out cash dividends distribution once in each fiscal year. The Board of Directors of the Company may propose to carry out an interim cash distribution depending on the profitability and capital needs of the Company. In addition, the Board of Directors may put forward a stock dividend distribution proposal based on cash dividends after considering factors such as company performance, stock price, share capital scale and debt structure.

After the end of each fiscal year, the Board of Directors of the Company shall put forward an annual profit distribution proposal, which shall be submitted to the shareholders' general meeting for examination and approval after being approved by the Board of Directors. In the course of the demonstration of an annual profit distribution proposal, the Board of Directors of the Company shall fully discuss with the independent directors and formulate the annual profit distribution proposal in consideration of the ongoing, stable and scientific returns to all shareholders. The independent directors shall provide independent opinions on the profit distribution proposal. More details are as follows:

(a) The Board of Directors needs to make decisions on the matters such as profit distribution and capitalization of capital reserves. When examining the specific proposal of cash dividends, the Board of Directors shall carefully study and demonstrate the timing, conditions and minimum proportion of cash dividends, the conditions for adjustment and the requirements for decision-making procedures. The Independent directors shall expressly give their opinions. The profit distribution proposal put forward by the Board of Directors needs to be approved by more than half of the Board of Directors and passed by more than half of all the independent directors.

(b) When examining the specific proposal of cash dividends, the shareholders' general meeting shall, through various channels, actively communicate and exchange views with shareholders especially small and medium-sized shareholders, fully listen to the opinions and requests of, and promptly respond to the concerns of small and medium-sized shareholders. The profit distribution proposal shall be approved by more than one-half of the voting rights held by shareholders attending the shareholders' general meeting.

Upon passing of a resolution on profit distribution proposal of the Company by the shareholders' general meeting, the Board of Directors of the Company shall complete distribution of dividends (or shares) within 2 months from the convening of the shareholders' general meeting.

(3) Where the Company made profit in the previous fiscal year but the Board of Directors has not made a plan for cash profit distribution, it shall disclose the reasons for not making cash dividends distribution and the use of funds undistributed but retained in the Company in periodical reports. Independent directors shall issue independent opinions thereon. When a shareholders' general meeting is held for examination thereon, the Board of Directors shall make statements to the shareholders' general meeting. If the Company does not make cash profit distribution in the recent three consecutive years, it may not conduct the issuance of new shares or convertible bonds to the public or placement of shares to existing shareholders.

(4) Where the profit distribution policy of the Company provided in the Articles of Association needs to be amended according to the production and operating conditions or the need for an investment plan or a long-term development, the Board of Directors of the Company shall put forward a proposal for amendment to profit distribution policy based on actual conditions, listen to the opinions of independent directors actively and fully, meanwhile, communicate and exchange views with small and medium-sized shareholders through various channels and seek for the opinions and requests of small and medium-sized shareholders. Such amendment to profit distribution policy shall be approved by the shareholders' general meeting through a special resolution. The amended profit distribution policy shall take the protection of shareholders' interests as the starting point and shall not violate the relevant stipulations of the CSRC and the stock exchange.

(5) Where a shareholder illegally occupies the funds of the listed company, listed company shall deduct the cash dividends to be distributed to such shareholder accordingly to recover the funds such shareholder occupies.

(6) The Company shall regulate the flow of funds with its related parties and safeguard the investors' interests to the maximum extent and formulate relevant policies in accordance with the provisions of relevant State laws, regulations and regulatory documents. Once the Board of Directors of the Company finds that the controlling shareholder occupies the funds of the Company in violation of the relevant laws, rules, regulatory documents or the Articles of Association, the Board of Directors shall apply for a judicial freeze immediately and shall have the right to freeze the shares in the Company held by the controlling shareholder according to the relevant judicial decisions or judgments until the occupation of funds is rectified. In case that the controlling shareholder encroaches on the Company's assets and it cannot pay off in cash, the Company has the right to encash the equity so as to have the occupied assets repaid according to the relevant laws, rules and regulatory documents.

Article 281 The payment of stock dividends, cash dividends and other payables by the Company to shareholders shall be announced in RMB. Dividends on domestic shares shall be paid in RMB; dividends in foreign shares shall be paid in foreign currency. The dividends paid by the Company to the shareholders of foreign shares shall be paid in the currency of the place where the foreign shares are listed.

Where stock dividends, cash dividends or other payments paid in foreign currencies, the applicable rate of exchange shall be average exchange rate of the medium rates of converting Renminbi into foreign currencies as quoted by The People's Bank of China for a week immediately prior to the announcement of dividend and payment decision on other payables.

The Company shall appoint collecting agents for shareholders of overseas-listed foreign shares. Collecting agents shall receive dividends distributed by and other sums payable on overseas-listed foreign shares by the Company on behalf of relevant shareholders.

The receiving agent appointed by the Company shall meet the requirements of the laws of the place(s) or the relevant regulations of the securities exchange(s) where the shares are listed .

Section 2 Internal Audit System

Article 282 The Company shall implement internal audit system and employ full-time audit personnel to carry out internal audit and supervision on the Company's financial revenue and expenditure and economic activities.

Article 283 The internal audit system of the Company and the duties of audit personnel shall be implemented upon approval by the Board of Directors. The person in charge of audit shall be accountable and report to the Board of Directors.

Section 3 Appointment of Accounting Firm

Article 284 The first accounting firm of the Company may be employed by the inaugural meeting prior to the first annual general meeting. Such accounting firm shall hold office until the conclusion of the first annual general meeting. If the inaugural meeting does not exercise its functions and powers under the preceding paragraph, the Board of Directors shall exercise such functions and powers.

The Company shall appoint an independent accounting firm that complies with relevant State regulations, independent and “qualified to engage in securities-related businesses” to audit its accounting statements, verify its net assets and provide other relevant advisory services. The term of employment of an accounting firm employed by the Company shall be between the end of the annual general meeting of the Company and the end of the next annual general meeting and the term of employment may be renewable upon expiry of the term of employment.

Article 285 Appointment of an accounting firm by the Company shall be decided by its shareholders' general meeting and the Board of Directors shall not appoint an accounting firm prior to the decision by the shareholders' general meeting.

Article 286 An accounting firm employed by the Company shall have the following rights:

(1) the right to the access to the account books, records or vouchers of the Company and the right to require directors, the manager and other senior management staff of the Company to provide the relevant information and explanations;

(2) the right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties;

(3) the right to attend shareholders' meeting, to receive a notice or other information concerning any meetings of or concerning which shareholders have a right to receive a notice or other information, and to be heard at any shareholders' meetings on any matter which relates to it as the accounting firm of the Company.

Article 287 If the position of accounting firm becomes vacant, the Board of Directors may appoint an accounting firm to fill such vacancy before a shareholders' general meeting is held. However, if there are other accounting firms holding the position of accounting firm of the Company while such vacancy still exists, such accounting firms shall continue to act.

Article 288 The shareholders' general meeting may, by means of an ordinary resolution, dismiss such accounting firm prior to the expiration of its term of employment, notwithstanding the terms in the contract between the accounting firm and the Company, but without prejudice to such accounting firm's right, if any, to claim damages from the Company in respect of such dismissal.

Article 289 The remuneration or method of determining the remuneration of an accounting firm shall be decided upon by the shareholders' general meeting. The remuneration of an accounting firm employed by the Board of Directors shall be determined by the Board of Directors.

Article 290 The Company shall undertake that the accounting vouchers, accounts books, financial accounting reports and any other accounting materials that it provides to the accounting firm are true and complete and it shall not refuse to provide information or conceal information or provide false information.

Article 291 The employment, dismissal or refusal of the renewal of the employment of an accounting firm by the Company shall be decided upon by the shareholders' general meeting and reported to the relevant securities authorities for the record (if applicable).

Article 292 In the event of termination of appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 3 days in advance; where the Company's shareholders' general meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation.

An accounting firm proposing to resign shall state at the shareholders' general meeting whether the Company has committed any other improper act.

CHAPTER 10 NOTICES AND ANNOUNCEMENTS

Section 1 Notices

Article 293 A notice of the Company shall be sent by the following means:

- (1) by personal delivery;
- (2) by mail;
- (3) by announcement;
- (4) by any other means stipulated in the Articles of Association.

Article 294 Where the Company sends a notice by announcement, all relevant persons shall be deemed to have received the notice upon announcement.

Article 295 The notice of convening of a shareholders' general meeting of the Company shall be made by announcement.

Article 296 The notice of convening of a board meeting of the Company shall be made by mail, telephone, fax or email.

Article 297 The notice of convening of a meeting of Board of Supervisors of the Company shall be made by mail, telephone, fax or email.

Article 298 Where a notice is sent by personal delivery and the addressee signs (or affixes seal) on the acknowledge receipt, the date of signature by the addressee shall be the date of service; where a notice is sent by mail, the date of service shall be the 3rd working day after being posted at the post office; where a notice is sent by telephone, the date of service shall be the date of completion of such telephone call; where a notice is served by email, the date of service shall be the date when the email is sent out; and where a notice is served by means of announcement, the date of service shall be the date on which the first announcement is published.

Article 299 Where a notice of meeting is not delivered to persons who have the right to receive the notice or such persons do not receive the notice of meeting due to accidental omission, the meeting and the resolutions passed by the meeting shall not be rendered invalid as a result thereof.

Section 2 Announcement

Article 300 The Company designates the *Shanghai Securities News* and another newspaper designated by the CSRC to be the media for publishing of the Company's announcements and any other information required to be disclosed.

CHAPTER 11 MERGER, DIVISION, INCREASE AND DECREASE OF SHARE CAPITAL, DISSOLUTION AND LIQUIDATION

Section 1 Merger, Division, Increase and Decrease of Capital

Article 301 The Company may conduct merger or division according to law. The plan for merger or division of the Company shall be prepared by the Board of Directors. After such plan has been adopted in accordance with the procedures stipulated in the Articles of Association, relevant examination and approval procedures shall be carried out according to law. Shareholders who oppose to the plan of merger or division of the Company shall be entitled to require the Company or the shareholders who agree to the plan to purchase their shares at a fair price. The resolutions approving the merger or division of the Company shall be compiled into a special document and made available for inspection by shareholders.

A merger may be in the form of merger by absorption or merger by establishment of a new company. In the case of merger by absorption, the company being absorbed shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and dissolution of the parties being merged.

Article 302 Merger or division of the Company shall be conducted according to the following procedures:

- (1) to formulate a merger or division plan by the Board of Directors;
- (2) to obtain a resolution by the shareholders' general meeting made in accordance with the Articles of Association;
- (3) to enter into a merger or division contract by all relevant parties;
- (4) to go through the relevant approval formalities according to law;
- (5) to deal with all the matters in connection with merger or division such as disposal of credits and debts;
- (6) to accomplish the dissolution registration or change registration.

Article 303 In the event of merger, the parties to the merger shall enter into a merger agreement and prepare balance sheet and asset list. The Company shall notify its creditors within 10 days from the date on which the merger resolution is adopted and make an announcement on the *Shanghai Securities News* and another newspaper designated by the CSRC within 30 days. Creditors may require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

Article 304 Upon completion of the merger, the existing company or the newly-incorporated company shall assume the credits and debts of all parties to the merger.

Article 305 In the event of division, the Company's assets shall be divided accordingly.

In the event of division, the parties to the division shall enter into a division agreement and the Company shall prepare balance sheet and asset list. The Company shall notify its creditors within 10 days from the date on which the division resolution is adopted and make an announcement on the *Shanghai Securities News* and another newspaper designated by the CSRC within 30 days.

The existing companies after division shall jointly and severally assume debts and liabilities of the Company prior to the division in accordance with the agreement, unless otherwise stipulated in the written agreement reached by the Company and its creditors on repayment of debts prior to the division.

Article 306 If the Company needs to reduce its registered capital, it shall prepare balance sheet and asset list.

Article 307 The Company shall notify its creditors within 10 days from the date on which the resolution on reduction of registered capital is adopted and make an announcement on the *Shanghai Securities News* and another newspaper designated by the CSRC within 30 days. The creditors shall have the right to require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

Article 308 The reduced registered capital of the Company shall not be lower than the minimum statutory amount.

Article 309 Where the merger or division of the Company involves changes in its registered particulars, such changes shall be filed with competent company registration authorities pursuant to the law. Where the Company is dissolved, it shall cancel its registration pursuant to the law. Where a new company is incorporated, its incorporation shall be registered pursuant to the law.

Article 310 If the Company increases or reduces its registered capital, it shall file for change registration formalities with competent company registration authorities pursuant to the law.

Section 2 Dissolution and Liquidation

Article 311 The Company shall be dissolved and liquidated under the following conditions:

(1) upon expiry of term of business stipulated in the Articles of Association or occurrence of any other circumstances of dissolution stipulated in the Articles of Association;

(2) the shareholders' general meeting has resolved on dissolution of the Company;

(3) dissolution is necessary due to a merger or division of the Company;

(4) the Company is declared bankrupt according to law as it is unable to repay its debts upon maturity;

(5) the Company's business license is cancelled pursuant to the law, or the Company is ordered to be closed down or revoked pursuant to the law;

(6) the Company has serious difficulties in its business operation and its subsistence will cause serious damages to the interests of its shareholders. The Company is unable to resolve such difficulties through any other means, the shareholders holding 10% or more of the voting rights of the Company may apply to the competent people's court for dissolution of the Company

Article 312 Under the circumstances set out in Item (1) Article 310 of the Articles of Association, the Company may continue to exist through amendment of the Articles of Association.

The amendment to the Articles of Association pursuant to the preceding paragraph shall be passed by shareholders who hold two-thirds of the voting rights present at the shareholders' general meeting.

Article 313 If the Company is dissolved pursuant to Item (1) and Item (2) of Article 310 of the Articles of Association, it shall establish a liquidation committee and commence liquidation within 15 days from occurrence of the cause of dissolution. The liquidation committee shall comprise persons determined by the ordinary resolution of shareholders' general meeting. Where the liquidation committee is not established within the stipulated period, the creditors may apply to the people's court to designate the relevant persons to form a liquidation committee to commence liquidation

If the Company is dissolved pursuant to Item (4) of Article 310 of the Articles of Association, the People's court shall, according to the relevant laws and regulations, organize shareholders, relevant institutions and professionals to establish liquidation team and carry out liquidation.

If the Company is dissolved pursuant to Item (5) of Article 310 of the Articles of Association, the relevant regulatory authority shall organize Shareholders, relevant institutions and professionals to establish liquidation team and carry out liquidation.

Article 314 During the liquidation period, the liquidation team shall exercise the following functions and duties:

- (1) to ascertain the Company's assets and separately prepare balance sheet and asset list;
- (2) to notify creditors by sending notice or by making announcement;
- (3) to deal with and settle the Company's outstanding business deals in relation to the liquidation;
- (4) to settle outstanding taxes and taxes incurred during the process of liquidation;
- (5) to ascertain all claims and debts;
- (6) to dispose of the remaining assets of the Company after the repayment of debts;
- (7) to represent the Company in any civil proceedings.

Article 315 Where the Board of Directors proposes to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), it shall declare in the notice of the general shareholders' meeting to be convened for such purpose that after making full inquiry into the affairs of the Company, the Board of Directors is of the opinion that the Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution at the general shareholders' meeting for the liquidation , all functions and powers of its Board of Directors of the Company shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation and to present a final report at the general meeting on completion of the liquidation.

Article 316 The liquidation committee shall notify the creditors within 10 days from the date of its establishment and make an announcement on the *Shanghai Securities News* and another newspaper designated by the CSRC within 60 days. The creditors shall declare their creditor's rights to the liquidation committee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

Creditors declaring creditor's rights shall state the relevant information of the creditor's rights and provide evidentiary materials. The liquidation committee shall register the creditor's rights.

During the period for declaration of creditor's rights, the liquidation committee shall not make repayment to creditors

Article 317 Having thoroughly examined the assets of the Company and prepared the balance sheet and asset list, the liquidation committee shall formulate a liquidation plan and submit it to the shareholders' general meeting or the people's court for confirmation.

The asset of the Company shall be used respectively for payment of liquidation expenses, employees' wages, social security expenditures, statutory compensations, tax in arrears and the Company's debts; the residual properties thereafter shall be distributed in accordance with the shareholding percentages of the shareholders. During the liquidation period, the Company continues to exist but it shall not engage in business activities unrelated to liquidation. The Company's asset shall not be distributed to shareholders before making repayment pursuant to the provisions of the preceding sentence.

Article 318 Upon thorough examination of the Company's asset and preparation of the balance sheet and asset list, where the liquidation committee discovers that the Company's asset are insufficient to pay its debts in full, it shall apply to the people's court for declaration of bankruptcy pursuant to the law. Upon declaration of the Company's bankruptcy pursuant to the ruling of the people's court, the liquidation committee shall hand over the liquidation matters to the people's court.

Article 319 Upon completion of liquidation, the liquidation committee shall prepare liquidation report, as well as revenue and expenditure statement and financial account books in respect of the liquidation period and, after verification by an accountant registered in China and submit the same to the shareholders' general meeting or the people's court for confirmation. Within 30 days from the date of confirmation of the above-mentioned documents by the relevant authorities in charge, the liquidation committee shall submit the aforesaid documents to company registration authorities and apply for deregistration and make an announcement on termination of the Company.

Article 320 Members of the liquidation committee shall be dedicated to their duties and perform liquidation obligations pursuant to the law. Members of the liquidation committee shall not make use of their powers and functions to accept bribes or any other illegal income and shall not encroach upon the Company's assets. A member of the liquidation committee who intentionally by gross negligence causes the Company or its creditors to suffer losses shall be liable for compensation.

Article 321 If the Company is declared bankrupt pursuant to the law, it shall conduct bankruptcy liquidation pursuant to the laws in connection with enterprise bankruptcy.

CHAPTER 12 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article 322 According to the regulations of laws, administrative regulations the Articles of Association, the Company may amend the Articles of Association.

Under any of the following circumstances, the Company may amend the Articles of Association:

(1) upon revision of the *Company Law* or the relevant laws and administrative regulations, the provisions in the Articles of Association contradict the stipulations of the revised laws and administrative regulations;

(2) the Company's situation has changed and is inconsistent with the items recorded in the articles of association;

(3) the shareholders' general meeting has decided on making amendments to the Articles of Association.

Article 323 Where any amendment to the Articles of Association resolved by the shareholders' general meeting is subject to review and approval of competent authorities, the amendment shall be submitted to the competent authorities for approval; where company registration matters are involved, change registration formalities shall be filed pursuant to the law.

Article 324 The Board of Directors shall amend the Articles of Association pursuant to the resolution of the shareholders' general meeting on amendment of the Articles of Association and the review and approval opinion of competent authorities.

Article 325 Where amendment to the Articles of Association should be disclosed as required by laws and regulations, such announcement shall be made pursuant to regulations.

Article 326 Where amendment to the Articles of Association involves matters provided for in the Prerequisite Clauses for Articles of Association of Company Whose Shares Are Listed Overseas, such amendment shall become effective after being examined and approved by the company approval authorities and the securities regulatory authorities authorized by the State Council. Where registration of the Company's information is involved, relevant change registration formalities shall be completed pursuant to the law (if applicable).

Article 327 In the event the securities regulatory authority of the State Council has not reached understanding or agreement with relevant securities regulatory organization abroad on the method of dispute settlement, If any disputes or claims concerning the Company's business on the basis of the rights or obligations provided for in the Articles of Association or in relevant laws or administrative regulations arise between a holder of overseas-listed foreign shares and the Company, between a holder of overseas-listed foreign shares and a director, a supervisor, the manager or other senior management staff of the Company or between a holder of overseas-listed foreign shares and a holder of domestic shares, the parties concerned may settle such

dispute or claim by the methods provided for in laws and administrative regulations or by a method mutually agreed upon by the parties.

CHAPTER 13 SUPPLEMENTARY PROVISIONS

Article 328 Definitions

(1) De facto controller indicates person who is not a shareholder of the Company but is able to exert actual control over the Company through investor relations, agreement or any other arrangements.

(2) Related relation indicates relationships between the Company's controlling shareholders, de facto controller, directors, supervisors, senior management staff and the enterprises directly or indirectly controlled by them as well as any other relationships which may result in transfer of interests of the Company. However, enterprises in which the State holds controlling stake shall not be deemed to have related-party relations because they are under common control of the State.

Article 329 For inconsistencies between the Article of Associations and future laws, regulations supervisory rules promulgated by the State, the Listing Rules of Shanghai Stock Exchange, or relating listing regulations of Frankfurt Stock Exchange, the latter laws, regulations and rules shall apply.

Article 330 The Board of Directors may formulate detailed rules for the Articles of Association pursuant to the provisions of the Articles of Association. The detailed rules for the Articles of Association shall not contradict the provisions of the Articles of Association.

Article 331 The Articles of Association is written in Chinese; where there is any discrepancy between the Chinese version of the Articles of Association and the version of any other language, the latest Chinese version of the Articles of Association approved and registered with Qingdao Administration for Industry and Commerce shall prevail.

Article 332 The terms “above”, “within” and “below” referred to in the Articles of Association shall include the numeral referred thereto; the terms “not exceeding”, “except”, “less than” and “more than” shall exclude the numeral referred thereto.

Article 333 The Articles of Association shall become effective after a special resolution of the Company's shareholders' general meeting. The original Articles of Association of the Company and all amendment thereto shall automatically become invalid upon the date when the Articles of Association become effective.

Article 334 The Board of Directors of the Company shall be responsible for the interpretation of the Articles of Association.

Article 335 The appendices to the Articles of Association shall include the Rules of Procedure for General Meetings, the Rules of Procedure for Board of Directors and the Rules of Procedure for Board of Supervisors.

Haier Smart Home Co., Ltd.

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