

ARTICLES OF ASSOCIATION  
OF DALIAN REFRIGERATION CO., LTD.

Approved by  
Shareholders' Annual General Meeting 2013

[English translation for reference only. Should there be any  
inconsistence between the Chinese and English version, then the  
Chinese version should prevail.]

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## **Chapter 1 General Provisions**

### **Article 1.1 Principles of the Articles of Association**

Pursuant to the "Company Law of the People's Republic of China" (the "Company Law") and other relevant laws, rules and regulations, the Articles of Association are prepared with a view to establishing the legal status of Dalian Refrigeration Company Limited (the "Company"), regulating the operations, management, organization and activities of the Company, and protecting the legal interests of the Company, shareholders and creditors.

### **Article 1.2 Name, Address and Legal Representative of the Company**

The registered Chinese name of the Company is: 大连冷冻机股份有限公司

The English name of the Company is: Dalian Refrigeration Company Limited.

The address of the Company is: 888 Southwest Road, Shahekou District, Dalian Municipality, The People's Republic of China.

The Chairman of the Company shall be the legal representative of the Company.

### **Article 1.3 Method of Establishing the Company**

The Dalian Bingshan Group Company acted as the promoter pursuant to the document No. (1993)7 issued by the Dalian Economic System Reform Committee, converted the stated-owned assets in Dalian Refrigeration Factory into state shares as authorized by the Dalian State-owned Assets Administration Bureau, and then set up the Company by way of a initial public offer of legal person shares, public individual shares and employee shares with the approval of the China Securities Regulatory Commission.

The Company was registered with the Dalian Administrative Bureau For Industry and Commerce on 18th December, 1993 and obtained a business license No. 24236130-0.

### **Article 1.4 Form of the Company**

The Company takes the form of a company limited by shares, i.e. the entire capital of the Company is divided into shares with equal nominal value and the liability of a shareholder to the Company is limited to the nominal value of the shares held by the shareholder. The Company commits its entire assets to assume its liabilities.

### **Article 1.5 Legal Status of the Company**

The Company possesses the status of an independent legal person. The laws of the People's Republic of China (the "PRC") govern the Company's activities and protect the legal rights and interests of the Company. The Company shall enjoy exclusive proprietary rights over the assets injected into the Company by the shareholders (including the State). The Company shall have independent autonomy over its operation, management and financial budget, and shall enjoy civil rights and assume civil liabilities in accordance with the laws.

### **Article 1.6 Principle of Purchasing Shares in the Company**

The Company shall ensure that the shares in the Company are purchased voluntarily and that the same rights in relation to the sharing of profits and the assumption of risks shall attach to shares of the same class.

### **Article 1.7 External Investment**

The Company has the right to invest in other limited companies or joint stock companies and assumes liabilities as limited by the amount of investment.

The Company shall not become a shareholder with unlimited liability of any profit-making organizations.

### **Article 1.8 External guarantee**

The Company shall not issue guarantees for the holding shareholder, other associated

parties with the shareholding less than 50%, any non-legal-person units and individuals. The total amount of guarantee issuance of the Company shall not exceed 50% of the net assets listed in the consolidated accounting statement for the last fiscal year.

The procedure for approving guarantee issuance of the Company: the Company's issuing any guarantee must be approved by the general shareholders meeting or the Board of Directors of the Company. Issuing any guarantee with the guaranteed amount accounting for less than 10% of the Company's net assets audited recently shall be approved by 2/3 of the total directors of the Board. Any guarantee issuance with the guaranteed amount accounting for 10% or more of the Company's net assets audited recently shall be approved by the general shareholders meeting of the Company. Any guarantee after the total amount of external guarantees provided by the Company and its holding subsidiaries reaches or exceeds 50% of the audited net assets as at the most recent period end must be approved by the general meeting of shareholders. Any guarantee after the total amount of external guarantees provided by the Company reaches or exceeds 30% of the audited total assets as at the most recent period end must be approved by the general meeting shareholders.

The credit standing requirement for guaranteed objects: the bank credit rating shall not be lower than AA and the asset-liability ratio not higher than 70%.

#### **Article 1.9 Term of Operation**

The Company is deemed to be a joint stock company with a going concern except in the cases as described in Chapter 12 and Chapter 13.

#### **Article 1. 10 Legal Effect of the Articles of Association**

The Articles of Association are the rules of highest authority for the Company's organization and activities and shall be legally binding on the Company, the Company's shareholders, directors, supervisors, and general manager and other senior managing staff. As the Articles of Association are a public legal document, any acts of subscribing for the shares of the Company (whether the shares of the Company can be legally and successfully obtained or not) shall be considered to have the legal effect that: the person subscribing for the Company's shares has voluntarily accepted all the terms and conditions, and the binding effect of the Articles of Association on him without reservation.

### **Chapter 2 Objectives, Scope of Business and Method of Operation**

#### **Article 2.1 Objectives of the Company**

The objectives of the Company are: to follow the trend of the development of a socialist market economy; to implement scientific management; to fully utilize the existing human resources, financial resources and material resources to enable a stable and rapid development of the Company; to promote actively the development in refrigeration, air-conditioning and other businesses of the Company; to protect and increase its asset value; to safeguard the legal rights and interests of all shareholders to enable them to receive a satisfactory return on their investments.

#### **Article 2.2 Scope of Business**

The scope of business of the Company is as follows:

Its main business is to process and manufacture refrigeration equipment and auxiliary machines, valves, component parts and the accessory products required in refrigeration engineering packages.

Subsidiary businesses include the design, manufacturing, installation, maintenance, calibration of refrigeration and air-conditioning systems and technical consultation, technical services, trading and supply of materials.

As required by the business development of the Company, the Company may carry out other relevant businesses with the approval of the companies registration authority.

#### **Article 2.3 Mode of Operation**

The modes of operation of the Company include processing, manufacturing, wholesale, retail import and export, investment, selling agency, buying agency, leasing and servicing.

As required by the business development of the Company, with the approval of the relevant government departments, the Company may establish joint ventures with domestic and foreign companies, or set up branches, representative offices or agency organizations within or outside the PRC.

#### **Article 2.4 Adjustment of the Scope of Business and the Mode of operation**

As required by the changing conditions of the market and the business development of the Company, the Company may adjust its business scope and operation mode. If the business scope and the operation mode is adjusted, the Articles of Association shall be amended accordingly and the amended Articles of Association shall be registered with the companies registration authority. If the business scope adjusted falls within the category of restricted business under the laws and regulations of the PRC, the approval of the relevant government departments shall be obtained.

### **Chapter 3 Registered Capital, Share and Share Certificates**

#### **Article 3.1 Registered Capital**

The registered capital of the Company shall be the total paid up capital of RMB350,014,975.

#### **Article 3.2 Division of Registered Capital**

The total registered capital of the Company shall be divided into shares with equal nominal value 1 for which share certificates shall be issued.

The Company has in issue 350,014,975 shares in total, with a par value of RMB1.00 each.

#### **Article 3.3 Types and Composition of Registered Capital**

The shares issued by the Company are all ordinary shares. The shares of the Company are divided into Renminbi ordinary shares and domestically listed foreign investment shares.

All these stocks are put on trust to China Securities Registry & Settlement Co., Ltd. Shenzhen Branch.

Renminbi ordinary shares ("A Shares ") shall be held by legal persons or other organisations registered in the PRC, natural persons of PRC nationality, or entities stipulated by the laws of the PRC or approved by the relevant government authorities of the PRC. A Shares comprise State shares, legal person shares and public individual shares.

Domestically listed foreign investment shares ("B Shares") shall be held by natural persons, legal persons, and other organizations of foreign countries; legal persons, natural persons and other organizations of Hong Kong, Macau and Taiwan; PRC nationals residing overseas or other investors as stipulated by the Securities Committee of the State Council.

The structure of the issued share capital of the Company is as follows:

Type of shares	Number of shares
Renminbi ordinary shares	235,014,975
Domestically listed foreign investment shares	115,000,000

#### **Article 3.4 Contribution of Share Capital**

Shareholders may, in accordance with the provisions of the Articles of Association and the PRC laws, make capital contributions to the Company in form of cash or by means of injection of tangible assets such as buildings, factories, machinery equipment or intangible assets such as industrial property rights, non-patented technologies and land use rights, in exchange for the shares of the Company.

A good legal title held by the shareholders over the assets to be injected shall be a pre-requisite to the injection of assets in exchange for the shares of the Company. In addition I such injection of assets in exchange for the Company's shares shall comply with the Company Law and any conditions imposed by the Board of Directors of the Company.

#### **Article 3.5 Limitations on the Holding of Shares**

Any investor who comes to hold 5 percent of the shares issued by the Company directly or indirectly shall, within three days from the date on which such shareholding becomes a fact, submit a written report to China Securities Regulatory Committee and Shenzhen Stock Exchange, notify the Company and make the fact known to the general public.

Once an investor holds 5 percent of the shares issued by the Company, he shall, pursuant to the provisions of the preceding paragraph, report and make announcement of each 5 percent increase or decrease in the proportion of the issued shares he holds of the Company through securities trading on a stock exchange. During the reporting period, and for two days after the report and announcement are made, the investor may not continue to purchase or sell shares of the Company.

However, where the amount of shares held by an investor exceeds the abovementioned limitation of 5 per cent as a result of a decrease in the total number of shares of the Company, the above restrictions will not apply.

If the shareholder described in the preceding paragraph sells , within six months of purchase, the shares he holds of the Company or repurchases the shares within six months after selling the same , the earnings so obtained by the shareholder shall belong to the Company and be recovered by the Board of Directors of the Company .

However, a securities company that has a shareholding of not less than 5 percent due to purchase of the remaining shares not he capacity of a company that underwrites as the sole agent shall not be subject to the restriction of six months when selling the said shares.

The provision of the preceding paragraph is suitable for directors, supervisors, general manager, and other senior mangers of the Company.

In this Article, shares are deemed to be indirectly held by an individual or a legal person if the shares are held by the companies, beneficially owned by an individual or by the affiliates of the legal persons, or under the control of an individual or a legal person although held by other legal entities.

#### **Article 3.6 Share Issue**

Payment should be made in full upon subscription for new issued shares. Once subscribed, the shares cannot be returned.

The principles of openness, fairness and justice shall be observed in the issue of the Company's shares and the same rights, dividends I share of profits and assumption of risks shall attach to shares of the same class. The issue conditions and issue price for the shares under the same issue shall be the same. Shares may be issued at a par value or at a premium but shall not be issued at a discount.

General meetings shall resolve the following matters when the Company intends to issue new shares:

1. type and number of the new shares;
2. placing price of the new shares;
3. type and number of the new shares to be issued to the existing shareholders.

#### **Article 3.7 Form and Registration of Share Certificates**

The issued share capital of the Company takes the form of share certificates which constitute the written evidence of the respective shareholdings of the shareholders, and are issued and signed by the Company. The Company uses the register of shareholders registered by the securities registration authorities as the evidence of the existing shareholdings. Registration records in the register of shareholders shall be conclusive evidence for such shareholdings.

#### **Article 3.8 Transfer and Trading of Shares**

Shareholders holding the Renminbi ordinary shares and domestically listed foreign investment shares of the Company may, subject to the laws, the trading regulations of the stock exchange on which the Company's shares are listed and other relevant regulations and laws, sell the shares held by them by agreement to other legal persons or natural persons who are legally eligible to hold such shares. However, any transfer of the state-owned shares shall be approved by the state-owned assets administration departments.

The placing rights and other derivative rights attached to the shares held by the shareholders of the Company may be transferred and traded in accordance with the relevant laws and regulations.

The Company shall only recognize the transferees of registered shares as the Company's shareholders after the names and addresses of the transferees have been recorded in the register of shareholders and verified by the statutory registration authorities.

The Company's directors, supervisors, general manager and other senior management members shall regularly declare to the Company their shareholdings in the Company and any changes during their tenure of office, and any share transfer by a director, supervisor, general manager or senior management member shall not exceed 25% of the total shares held by him/her in the Company each year during his/her tenure of office. Any shares of the Company held by them are prohibited being transferred within one year from the shares are listed and traded. Anyone above-mentioned shall not transfer his/her held shares of the Company within six months from his/her demission.

The shares held by the promoter of the Company shall not be transferred within one year from the date of establishment of the Company.

#### **Article 3.9 Gift, Mortgage and Succession of Shares**

The Company's shareholders may transfer the shares of the Company held by them by way of gift, mortgage and succession in accordance with the laws and regulations.

Any transfer of the Company's shares by way of gift and succession shall be registered with the statutory registration authorities upon presentation of valid and enforceable legal

documents. A mortgage over the Company's shares shall be registered with the registration authorities as required by the laws and regulations.

The Company shall not accept any mortgage the subject of which are the Company's shares.

#### **Article 3.10 Amalgamation and Division of Shares**

As required by the production, operation and development of the Company, the Company may, subject to the proposal of the Board of Directors and the resolutions passed at a general meeting, amalgamate or divide the Company's shares in a specified ratio.

#### **Article 3.11 Increase of Issued Share Capital**

As required by business development of the Company, the Company may, subject to the proposal of the Board of Directors, the passing of a resolution by shareholders at a general meeting and the approval of the relevant government departments, increase the Company's issued share capital by the followings means:

1. issuing shares in a public manner;
2. issuing shares in a non-public manner;
3. bonus issue to the existing shareholders; or
4. other methods in compliance with the relevant laws and regulations.

#### **Article 3.12 Re-issue of Share Certificates**

Where registered share certificates of the Company have been stolen, lost or destroyed, shareholders shall notify the Company or securities registration authorities appointed by the Company in writing, and shall apply to the People's Court for declaring such share certificates as null and void in accordance with the provisions of "The Code of Civil Procedures of the PRC". Upon declaration by the People's Court of such share certificates to be null and void, the shareholders may apply to the Company or securities registration authorities appointed by the Company for the re-issue of share certificates.

#### **Article 3.13 Other Classes of Shares**

Where necessary, the Company may, subject to the proposal of the Board of Directors, the passing of a resolution by shareholders at a general meeting and the approval of the relevant government departments, issue preference shares or other classes of shares and corporate bonds (including but not limited to convertible bonds).

Where preference shares or other classes of shares and corporate bonds are issued, in addition to the compliance with the relevant laws and regulations, the shareholders at general meeting shall lay down clear regulations to govern the rights and obligations of the holders of such securities, and the Articles of Association shall also be amended accordingly subject to the passing of relevant resolutions at the general meeting.

#### **Article 3.14 Reduction of Registered Capital**

In accordance with the laws, regulations and the provisions of the Articles of Association, the Company may reduce its registered capital.

In the event that the Company reduces its registered capital, a balance sheet and a list of properties shall be prepared.

The Company shall inform the creditors of its decision to reduce the registered capital within ten days since such a decision is made, and announce it on the newspapers specified in Art. 14 of the Articles of Association within 30 days. The creditors shall have the right to ask the Company to pay off the debts or provide appropriate guarantees for paying off the debts within 30 days from receiving the notice or within 45 days from the date of announcement if he/she does not receive the notice.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

#### **Article 3.15 Re-purchase of Shares**

In the following circumstances, the Company may re-purchase its issued shares in accordance with the procedures prescribed in the Articles of Association or laid down by the stock exchange where the shares are listed and with the approval of the relevant government departments:

1. cancellation of shares for the reduction of the Company's registered capital;
2. merger with other companies holding the Company's shares;
3. encouraging the Company's employees by issuing shares to them; or
4. there is any shareholder who has objections on the general meeting's decision for merger or split of the Company and requests the Company to repurchase his/her shares.

#### **Art. 3.16 Disposal of the Repurchased Shares**

After repurchasing its shares as stipulated in Art. 3.15, the Company shall write off these shares within ten days from the purchasing day if it is as described in Paragraph (1) or transfer or write off these shares within six months if it is as described in Paragraphs (2) and (4).

Any shares repurchased by the Company as stipulated in Art. 3.15 (3) shall not exceed 5% of the total shares that have been issued by the Company; the source of any funds for such repurchase shall be taken from the after-tax profit of the Company; and the repurchased shares shall be transferred to the employees within one year.

#### **Article 3.17 Liability for Compensation**

The Company shall not be liable to compensate anyone who suffers losses resulting from the cancellation of the original share certificates or the re-issue of share certificates unless the party concerned can prove that such losses are caused by the Company's omissions or fraudulent acts.

#### **Article 3.18 Financial Assistance**

The Company and its subsidiaries shall not in any way provide financial assistance to subscribers to subscribe for the Company's shares.

The above-mentioned financial assistance refers to any gifts, guarantees, price reductions or advances for the purpose of reducing or exempting the subscribers' payment obligations for subscription of the Company's shares.

Where the Company distributes new shares to shareholders in proportion to their shareholdings as a result of capitalization of provident funds or profits in accordance with the laws, the restriction stipulated in this Article shall not apply.

#### **Article 3.19 Registration of Changes**

When the increase or reduction of the Company's registered capital is subject to approval, such approval shall be sought from the approving authorities and the increase or reduction must be registered with the companies registration authorities.

### **Chapter 4 Shareholders**

#### **Article 4.1 Shareholders**

Holders of the Company's shares shall be the Company's shareholders. Subject to contrary evidence, the register of shareholders shall be the conclusive evidence of the identities of the Company's shareholders. In accordance with the Articles of Association

and the laws and regulations, the shareholders' liabilities to the Company shall be limited to the nominal value of the shares held by them and the shareholders are entitled to the corresponding rights provided by the Articles of Association and the laws and regulations.

In the event that any shareholder of the Company is a legal person, its rights shall be exercised by its legal representative or the agent of its legal representative on its behalf.

#### **Article 4.2 Shareholders' rights**

The shareholders of the Company's ordinary shares shall be entitled to the following rights:

1. to receive dividends, bonus payments and benefits in other forms on their shares;
2. to attend the general meetings of the Company in person or by proxy and have the rights to vote, to elect and to be elected;
3. to transfer the shares held by them by way of transfer, gift or mortgage in accordance with the Articles of Association;
4. to inspect the Company's Articles of Association and the minutes of general meetings, to obtain financial statements released to the shareholders, and to conduct supervision, give suggestions and make queries in respect of the operation and financial management of the Company;
5. to be entitled to the net assets of the company in proportion to their shareholdings in the event that the Company becomes insolvent and is wound up;
6. to commence legal proceedings in a court with jurisdiction in respect of any resolutions passed at general meetings or board meetings which contravene the existing laws or regulations of the PRC or infringe the legal rights and interests of the shareholders, and to make application for stopping such illegal acts or infringement;
7. to enjoy other rights as stipulated by the relevant laws and regulations and the Articles of Association.

For the procedure for convening a general meeting or a meeting of the Board of Directors or the method of voting in violation of the laws, regulations or these Articles of Association, or any resolution in violation of these Articles of Association, the shareholders shall have the right to appeal to the people's court for cancellation within 60 days from the day when such resolution is adopted.

In case of any director or senior management member, who violates the laws and regulations or these Articles of Association in his/her duty and causes loss to the Company, any shareholder(s) who individually or jointly holds 1% or more shares of the Company for a period of continuative 180 days shall have the right to submit the written request to the Board of Supervisors for bringing suit to the people's court. In case the Board of Supervisors violates the laws and regulations or these Articles of Association in its duty, which causes loss to the Company, any shareholder shall have the right to submit the written request to the Board of Directors for bringing suit to the people's court.

If the Board of Supervisors or Board of Directors refuses to bring suit after receiving the aforementioned written request, or fails to bring suit within 30 days after receiving the request, or fails to bring suit immediately in case of emergency, which may cause irretrievable impairment to the Company's interest, the aforementioned shareholder(s) shall have the right to bring suit directly to the people's court in his/her/their name(s) for the Company's interest.

In case any other person infringes the legal rights and interests of the Company, which

causes loss to the Company, any shareholder(s) individually or jointly holds 1% or more shares of the Company for a period of continuative 180 days shall have the right to bring suit to the people's court as stipulated in the above two clauses.

In case any director or senior management member violates the laws and regulations or these Articles of Association, which impairs the shareholders' interest, any shareholder shall have the right to bring suit to the people's court.

#### **Article 4.3 Shareholders' Obligations**

Shareholders holding ordinary shares shall perform the following obligations:

1. to observe the Articles of Association;
2. to pay up punctually for the shares subscribed in accordance with the method of subscription;
3. to obey and implement resolutions passed at general meetings pursuant to the laws;
4. to disclose certain information when their shareholdings reach the statutory prescribed amount;
5. not to engage in any malicious activities which are detrimental to the interests of the Company;
6. to perform other obligations stipulated in the relevant laws and regulations and the Articles of Association.

#### **Article 4.4 Behavior of controlling shareholders**

The proprietary shareholders and actual controllers of the Company shall have the obligation to be faithful to the company and social public shareholders. The proprietary shareholders should exercise the rights as contributors strictly by law, without detriment to the legal interests of the company and social public shareholders by taking advantage of any associate transaction, profit distribution, assets regrouping, external investment, occupation of funds, financial guarantee, etc. and no detriment to the interests of the company and social public shareholders by taking advantage of the holding position. The controlling shareholder shall

1. strictly abide by the laws and regulations, and the conditions and procedures stipulated in the Articles of Association in nominating candidates of directors and supervisors;
2. not be engaged in any approval for the general meeting's resolutions on personnel election or for the Board of Directors' resolutions on personnel appointment;
3. not appoint or dismiss any senior staff members bypassing the general meeting and the Board of Directors; and
4. not intervene, directly or indirectly, the Company's decision-making and legal production and business activities, and not harm the interests of the Company and other shareholders.

#### **Article 4.5 Meaning of Controlling Shareholder**

The controlling shareholder mentioned in Article 4.4 refers to any person who satisfies any of the following conditions:

1. He can elect more than half of the Board of Directors when acting alone or in concert with other persons;
2. He can exercise or control over 30 per cent of the voting rights of the Company when acting alone or in concert with other persons;
3. He holds over 30 per cent of the issued shares of the Company when acting alone or in concert with other persons; or
4. He has actual control of the Company by any other means when acting alone or in

concert with other persons.

#### **Article 4.6 The Composition of the Register of Shareholders**

The Company shall keep a complete register of its shareholders. The register of shareholders shall be registered by the securities registration authorities.

#### **Article 4.7 Registration Day of Shareholding**

Where the Company convenes a general meeting) distributes dividends) goes into liquidation or engages in other acts which require confirmation of shareholdings, the Board of Directors shall fix a day as a reference date for registration of shareholdings for confirmation purposes. At the close of such registration day) shareholders whose names appear on the register of shareholders shall be deemed to be the shareholders of the Company.

The interval between the date of equity registration and the date of meeting shall be not more than 7 working days. Once the date of equity registration is confirmed, it shall not be altered.

### **Chapter 5 General Meeting**

#### **Article 5.1 General Meeting**

All the shareholders of the Company who are entitled to exercise their rights and powers of the Company in general meetings have the highest authority according to the Company Law and the Articles of Association.

#### **Article 5.2 Annual General Meeting and Extraordinary General Meeting**

A general meeting shall be either an annual general meeting or an extraordinary general meeting. The general meeting shall be held at a designated place in a manner of on-site meeting. The Company will provide shareholders with the network facilities once required by related rules or regulations. Any shareholder, who attends the general meeting in one of the above manners, shall be regarded as his/her presence. The general meeting on site shall not end up until the meeting in the network manner ends up. The general meeting shall be held at the location of the Company.

#### **Article 5.3 Annual General Meeting**

An annual general meeting shall be held once every year within 6 months after the end of every financial year. The interval between two annual general meetings shall not exceed 15 months.

#### **Article 5.4 Extraordinary General Meeting**

An extraordinary general meeting shall be convened within 2 months of the occurrence of any of the following events:

1. the Board of Directors considers it necessary or if proposed by the Supervisory Board;
2. a written request is made by a shareholder or shareholders holding more than 10 per cent (including 10 per cent) of the issued share capital of the Company;
3. the number of directors falls short by two-thirds of the statutory number or the number stipulated in the Articles of Association;
4. the Company's losses represent one-third or more of the total registered capital;
5. more than one half of the independent directors propose to convene the meeting.

A written request by the shareholders holding 10 per cent or more of the issued share capital of the Company shall be submitted to the Board of Directors.

Extraordinary general meeting shall not pass any resolution concerning proposals that are not set out in the notice of the meeting.

For any proposal of independent directors for convening an extraordinary general meeting, the Board of Directors shall, within ten days after receiving the proposal, give the written feedback stating to approve or not approve to convene the extraordinary general meeting according to the laws and regulations and these Articles of Association. The Board of Directors shall give the notification of convening the extraordinary general meeting within five days after the Board makes the decision if it approves to convene the general meeting; or explain the reason and make announcement if it does not approve to convene the general meeting.

For any proposal of the Board of Supervisors for convening an extraordinary general meeting, the Board of Directors shall, within ten days after receiving the proposal, give the written feedback stating to approve or not approve to convene the extraordinary general meeting according to the laws and regulations and these Articles of Association. The Board of Directors shall give the notification of convening the extraordinary general meeting within five days after the Board makes the decision if it approves to convene the general meeting; and any change to the original proposal in the notification shall be subject to consent of the Board of Supervisors. The Board of Directors' disapproval to convene the extraordinary general meeting or failure to give any feedback within ten days after receiving the proposal shall be regarded as the Board of Directors' being unable to perform or failing to perform the obligations to convene the general meeting, and the Board of Supervisors may convene and preside over the meeting itself.

For any proposal of shareholder(s) who individually or jointly holds 10% or more of the Company's shares for convening an extraordinary general meeting, the Board of Directors shall, within ten days after receiving the proposal, give the written feedback stating to approve or not approve to convene the extraordinary general meeting according to the laws and regulations and these Articles of Association. The Board of Directors shall give the notification of convening the extraordinary general meeting within five days after the Board makes the decision if it approves to convene the general meeting; and any change to the original proposal in the notification shall be subject to consent of the related shareholder(s). If the Board of Directors does not approve to convene the extraordinary general meeting, or fails to give any feedback within ten days after receiving the proposal, the shareholder(s) who individually or jointly holds 10% or more of the Company's shares shall have the right to submit proposal in written form to the Board of Supervisors for convening the extraordinary general meeting. The Board of Supervisors shall give the notification of convening the extraordinary general meeting within five days after receiving the proposal if it approves to convene the general meeting; and any change to the original proposal in the notification shall be subject to consent of the related shareholder(s). The Board of Supervisors' failure to give the notification of the general meeting within the specified period shall be regarded as its failure to convene and preside over the general meeting and any shareholder(s) individually or jointly holding 10% or more of the Company's shares for a period of continuative 90 days may convene and preside over the general meeting themselves.

The Board of Supervisors or shareholders shall inform in writing the Board of Directors of any decision to convene the general meeting themselves to file to the local agency of China Securities Regulatory Commission and the Securities Exchange. The convening shareholders shall have the shareholdings not less than 10% before the announcement of any general meeting's resolution. The convening shareholders shall submit the necessary

certificates to the local agency of China Securities Regulatory Commission and the Securities Exchange before giving the notice of the general meeting and making announcement of the general meeting's resolution.

For the general meeting convened by the Board of Supervisors or shareholders themselves, the Board of Directors and its secretary shall give cooperation. The Board of Directors shall provide the list of shareholders registered upon registration of shareholdings. For the general meeting convened by the Board of Supervisors or shareholders themselves, the necessary cost for the meeting shall be borne by the Company.

#### **Article 5.5 Functions and Powers of Shareholders in General Meeting**

Shareholders in general meeting shall have the following functions and powers:

1. to set the guiding principles of operation and to prepare investment proposals for the Company;
2. to elect and dismiss directors and fix their remuneration;
3. to elect and dismiss supervisors whose positions are occupied by the shareholders' representatives and fix their remuneration;
4. to examine and approve the reports of the Board of Directors;
5. to examine and approve the reports of the Supervisory Board;
6. to examine and approve the annual budget and final accounts of the Company;
7. to examine and approve the profit distribution proposal and the loss offset proposal of the Company;
8. to resolve on whether to increase or reduce the registered capital of the Company;
9. to resolve on the listing and trading of the Company's shares on a stock exchange.
10. to resolve on whether the Company should issue debentures;
11. to resolve on matters such as the merger, division, dissolution and liquidation of the Company;
12. to appoint or dismiss accountants;
13. to amend the Articles of Association;
14. to review the proposals of the shareholders holding 3% or more of the voting shares issued by the Company;
15. to review the matters concerning guarantees described in Art. 1.8 of these Articles of Association;
16. to review the matters concerning purchase or sale of any major assets of the Company within one year, which exceeds 30% of the Company's audited total assets as at the most recent period end;
17. to review and approving the matters concerning change of the use of raised funds;
18. to review the stock incentive plan;
19. to examine other matters that shall be decided at the general meeting as stipulated in the laws and regulations and the Articles of Association.

#### **Article 5.6 Convening of the General Meeting**

For convening a general meeting of shareholders, the convener shall inform all shareholders 20 days in advance of the date when the meeting is held. For convening an extraordinary general meeting, the convener shall inform all shareholders 15 days in advance of the date when the meeting is held.

The convener shall ensure that the meeting of the general meeting of shareholders go in succession until the final resolution is made. Where the general meeting of shareholders

is paused or no resolution can be made due to force majeure or any other special cause, necessary measures shall be taken to resume the meeting of the general meeting of shareholders or the meeting shall be directly terminated, and an announcement shall be made in a timely manner. At the same time, the convener shall report it to the dispatched office of the CSRC at the locality of the company and the stock exchange.

The notice of the general meeting shall comply with the following requirements and shall be published by way of an announcement in the newspapers as selected by the Board of Directors in accordance with the laws and regulations and the Articles of Association:

1. the date, address and time of the general meeting shall be specified;
2. the proposals to be discussed in the general meeting shall be specified;
3. the registration date for the shareholdings of the shareholders who are entitled to attend the general meeting shall be specified;
4. the names, telephone numbers and fax numbers of the designated contact persons for the purpose of convening meeting shall be specified.

A letter of appointment of proxy by the shareholders should be attached to the notice of the general meeting. To attend the general meeting, a shareholder or his proxy shall hold a certificate of attendance for the relevant general meeting. Such certificate shall show the name of the shareholder, the number of shares held or represented, the time of the shareholders' general meeting, the Company seal, the signature of the issuing person and the date of issue.

Upon the announcement of the notice of the general meeting, all shareholders shall be deemed to have received notice of the general meeting.

In case the Company has to postpone the general meeting for some reason, the notice of postponement shall be issued at least two work days before the original date when the general meeting is held. The Board of Directors shall state the reason and announce the date of the postponed meeting in the notice.

After the notice of convening the general meeting is issued, the Board of Directors shall not issue new proposals for any items unlisted in the notice, and any changes to the original proposal shall be announced 15 days before the general meeting is held, or the meeting shall be postponed so that there is an interval of at least 15 days.

#### **Article 5.7 Presiding of the General Meeting**

The general meeting shall be presided over by the Chairman of the Board of Directors. In case the Chairman is unable or fails to perform his duty, the Vice Chairman shall preside over the meeting. If the Vice Chairman is unable or fails to perform his duty, a director elected by the majority of directors shall preside over the meeting. Any general meeting that is convened by the Board of Supervisors shall be presided over by the Chairman of the Board of Supervisors. In case the Chairman is unable or fails to perform his duty, a supervisor elected by the majority of supervisors shall preside over the meeting. The general meetings convened by shareholders themselves shall be presided over by a representative elected by the conveners. In case the meeting chairman breaches the rule of procedure during the meeting, which results in discontinuousness of the general meeting, the general meeting may elect a person to preside over the meeting by the attending shareholders holding the majority of voting shares.

#### **Article 5.8 Attendance Notice**

The shareholders who intend to attend the general meeting shall notify the Company of their attendances before the convening of the general meeting. The attendance notice

shall specify the number of shares with the voting rights held by them and shall be delivered in written form.

#### **Article 5.9 Attendance and Proxy**

A shareholder may attend the general meeting in person, or may appoint a proxy in writing to attend the general meeting and exercise shareholder's rights on his behalf. If the shareholder attends the general meeting in person, he shall produce his identity card and proof of shareholding. To attend the meeting, a proxy shall carry with him the certificate of attendance of the relevant shareholder, letter of appointment and his own identity card, and shall exercise voting rights within the scope specified in the letter of appointment. A proxy does not have to be a shareholder of the Company.

Where the shareholder is a legal person, the legal representative or the proxy appointed by the legal representative shall attend the general meeting. If a legal representative attends the general meeting, he shall produce his identity card, valid proof of his capacity as a legal representative and proof of shareholding. In case of a proxy attending the meeting, he shall produce his identity card and letter of appointment issued by the legal representative of the legal person shareholder in accordance with the laws, and proof of shareholding.

The Company's Board of Directors, independent directors and other directors meeting the concerned conditions may acquire votes at the general meeting from shareholders of the Company. Such acquirement of votes shall be unrequited, and the concerned information shall be disclosed to the persons whose votes are acquired.

#### **Article 5.10 Letter of Appointment of Proxy**

The letter of appointment of proxy issued by shareholders to appoint other persons to attend general meeting on their behalf shall specify the following information:

1. name of the proxy;
2. whether the proxy has the right to vote (where more than one proxy is appointed, the number of shares represented by each proxy shall be specified);
3. instructions such as "for", "against" or "abstain" for each proposed resolution as set out in the agenda of the general meeting;
4. whether the proxy has voting rights on any extraordinary proposals which may be included in the general meeting in accordance with the Articles of Association and if this is the case, detailed instructions for the exercise of the voting rights shall be specified;
5. the date of issue and the effective period;
6. signature (or chop) of the appointer. If the appointer is a legal person shareholder, the company seal shall be affixed thereto.

#### **Article 5.11 Sign-in Book of the Attendants**

A sign-in book of attendants of general meetings shall be prepared. The sign-in book shall specify the attendants' names, identity card number and addresses of residence or registered offices, number of shares with voting rights represented, and the names of the shareholders, and shall be filled in by the shareholders (or proxies) attending the general meeting.

#### **Article 5.12 Method of Voting**

For annual general meetings or general meetings convened at the proposal of shareholders or the Supervisory Board, voting by the method of communication is not allowable.

Every ordinary share carries one voting right at the general meeting. Voting shall be done

by open ballot and not by a simple show of hands.

When voting at the general shareholders meeting, a shareholder (or his proxy) shall exercise his voting power corresponding to the number of his votable shares. For common shares, one share stands for one vote except the stipulation in Article 5.13 for the accumulative voting system that shall be adopted in electing directors and supervisors. The Company's shares held by the Company itself shall neither have the voting right nor enjoy the profit distribution. The same voting share shall be used in the on-site voting procedure or in the network voting procedure only. In case of any ballot duplication of the same voting share, the first voting shall be taken.

#### **Article 5.13 Election of Directors and Supervisors**

Shareholders holding 3 per cent or more of the total issued shares with voting rights are entitled to propose candidates for directors and supervisors. The Company's Board of Directors, Supervisory Board or a shareholder or shareholders holding 1% or more of the issued shares of the Company have the right to nominate independent director candidates. Before the election of directors and supervisors of the Company, the Board of Directors shall provide the shareholders with the resumes and general information of the directors and supervisors.

The list of candidates for the directors and supervisors should be submitted to the shareholders general meeting for voting in the manner of proposal.

Election and dismissal of directors and supervisors shall be passed by more than half of the votes held by the shareholders present at the general meeting.

The accession date of the new directors and the supervisor, if the election proposal is approved by the general meeting, shall be the date when the resolution is adopted at the general meeting.

If the holding shareholders hold 30% or higher of the total shares of the Company, the accumulative voting procedure shall be adopted in voting for any proposal of electing directors or supervisors at the shareholders' general meeting. It means that when two or more directors or supervisors are to be elected at the general shareholders meeting, every share held by voting shareholders (or their proxies) has the equal votes to the number of directors or supervisors to be elected, and a shareholder (or his proxy) may vote one person with all his votes or distribute his votes for multiple persons. The Board of Directors shall work out the implementation rules for the accumulative voting procedure for electing directors/supervisors according to these Articles of Association and submit it to the general shareholders meeting for approval and adoption.

#### **Article 5.14 Voting on Ordinary Resolutions**

Ordinary resolutions at the general meeting shall be passed by more than half of the votes held by the shareholders present at the general meeting.

#### **Article 5.15 Voting on Special Resolutions**

Special resolutions at the general meeting shall be passed by two-thirds or more of the votes held by the shareholders present at the general meeting.

Resolutions proposed in relation to the following matters shall be special resolutions:

1. increase or decrease of the Company's registered capital;
2. issue of debentures by the Company;
3. merger, division, application for winding-up, dissolution and liquidation of the Company;
4. amendment of the Articles of Association;

5. change to the Company's classification and the method of trading shares;
6. the Company's purchase or sale of major assets or issuance of guarantees which exceed 30% of the audited total assets as at the most recent period end within one year;
7. the stock incentive plan; and
8. other matters required to be resolved by special resolutions as stipulated in the Articles of Association and the laws;

Apart from the above matters which are required to be resolved by special resolutions, other matters shall be resolved by ordinary resolutions.

#### **Article 5.16 Results of the Voting**

The chairman should declare the number of shareholders and agents present at the meeting and their total shares before voting. Number of shareholders and their agents present at the meeting and their shares are subject to that in meeting registration.

At least one lawyer, two or more shareholders' representatives and one or more supervisors shall be involved in the check of voting for every proposed matter at the shareholders general meeting, and publish the voting result at the meeting and record it in the meeting minutes.

The chairman should declare the number of shareholders and proxies attending the meeting and the number of the total voting shares. The number of shareholders and proxies attending the meeting and the number of the total voting shares are subject to the record at the meeting.

Before the voting result is formally announced, the listed companies, vote counters, vote counting supervisors, major shareholders and the network service provider, etc. involved in the voting at the general meeting of shareholders on the spot, through network or by any other means, shall be obliged to keep secrets to themselves.

#### **Article 5.17 Resolutions Proposed by Shareholders**

Shareholders holding 3 per cent or more of the total issued shares with voting rights, whether individually or jointly, are entitled to propose resolutions to the general meeting for consideration.

#### **Article 5.18 Conditions of Resolutions**

Resolutions proposed by the shareholders shall satisfy the following conditions:

1. The proposed resolutions shall fall within the jurisdiction of the general meeting and their contents shall not contravene the laws and regulations and the Articles of Association;
2. The proposed resolutions shall be specific and precise;
3. The proposed resolutions shall be delivered in written form to the Board of Directors. The Board of Directors shall examine whether the proposed resolutions satisfy the above conditions. Any proposed resolutions which have satisfied the above conditions and have been delivered to the Board of Directors ten days prior to the announcement of the notice of the general meeting shall be included in the agenda of the general meeting and set out in the notice of the general meeting. Any proposed resolutions which have satisfied the above and conditions but have been delivered to the Board of directors five days before the annual general meeting is held instead of ten days prior to the announcement of the notice of general meeting shall be included in the agenda of the annual general meeting. Any proposed resolutions which have satisfied the above conditions but have not been delivered to the Board of Directors within the stated time limit shall be considered in the next general meeting.

Any new distribution proposal presented by the first strong shareholder shall be submitted to the Board of Directors ten days before the annual general meeting is held, and announced by the Board of Directors. If the period is less than ten days, the first strong shareholder shall not make any new distribution proposals at that annual general meeting.

The Board of Directors may request the proposers to amend proposed resolutions which do not satisfy the above conditions. The Board of Directors shall include in the agenda of the general meeting any amended proposed resolutions which have satisfied the above conditions in the above paragraph. The proposed resolutions shall become invalid and not be included in the agenda if the proposers do not amend the proposed resolutions or if amended proposed resolutions still do not satisfy the above conditions. The report of the Board of Directors submitted to the general meeting shall explain the handling of invalid proposed resolutions.

#### **Article 5.19 Minutes of General Meeting**

Minutes shall be prepared for general meeting recording the date, time and venue of the general meeting, the name of the Chairman of the general meeting, the agenda of the general meeting, a summary of comments given by each person present at the general meeting regarding every proposal, results of every resolution, inquiries and suggestions made by the shareholders and the answers and explanations given by the directors and supervisors. The minutes shall be signed by the directors attending the general meeting and the person preparing the minutes, and shall be kept with the Company's records together with the sign-in book of the shareholders present at the general meeting and the letter of appointment of proxy.

#### **Article 5.20 Right to Initiate Proceedings**

Where resolutions passed at the general meeting contravene the laws and regulations or infringe the legal rights and interests of the shareholders, the shareholders are entitled to commence proceedings at the People's Court to stop such illegal acts and infringement.

#### **Article 5.21 Witness of lawyers**

The Company's Board of Directors shall invite a lawyer holding the securities trade qualification to attend the general meeting, who shall give legal advice on concerned problems and make announcement.

#### **Article 5.22 Rules of Procedure for Shareholders' General Meeting**

The Company may set out rules of procedure. The rules of procedure shall be implemented after they have been examined and approved by the shareholders in general meeting.

#### **Article 5.23 Announcement on the Resolution of the General Meeting of Shareholders**

The resolution of the general meeting of shareholders shall be announced in a timely manner, and the announcement shall indicate the number of shareholders and proxies that attended the meeting, the number of the total voting shares and its proportion to the total voting shares of the company, the voting method, the voting result of each proposal and detailed contents of each resolution.

The domestic-share holders and the foreign-share holders attending the meeting and their voting are counted and announced separately.

If a proposal is not adopted or the general meeting of shareholders modifies the resolution of any previous general meeting of shareholders, it shall give a special explanation in the

announcement on the resolution of the general meeting of shareholders.

## **Chapter 6 Board of Directors**

### **Article 6.1 Board of Directors**

The Board of Directors of the Company is the standing executive organization of the shareholders in general meeting and shall be accountable to the shareholders at the general meeting.

### **Article 6.2 Election of the Board of Directors**

Directors shall be natural persons and shall be elected by the shareholders at the general meeting. A director may not be a shareholder of the Company. The term of office for the directors is 3 years and is renewable on re-appointment. However, the renewed term of office for the independent directors shall not exceed 6 years. The term of office commences from the day on which the relevant resolution is passed. Any director who has any wrongdoing during the term of office may be dismissed by an ordinary resolution passed at the general meeting.

### **Article 6.3 Responsibilities of Directors**

Directors shall abide by the laws and regulations and the Articles of Association, shall owe a fiduciary duty to the Company, shall be diligent to the Company, shall safeguard the interests of the Company, shall not seek personal interests by taking advantage of their position and powers, shall not engage in business which competes with the business of the Company or is detrimental to the interests of the Company and shall take the responsibilities as provided in Articles 59 to 63 of the Company Law.

### **Article 6.4 Candidates for Directors**

Candidates for directors shall be nominated individually or jointly by the shareholders. In the election of the Board of Directors for a new term, persons nominated by the existing directors may also be the candidates for directors. Independent director candidates may be nominated by the Board of Directors, Supervisory Board, or a shareholder or shareholders holding 1% or more of the issued shares of the Company.

### **Article 6.5 Composition of the Board of Directors**

The Board of Directors shall adopt the odd number system and shall consist of 9 directors with independent directors and directors. The Board of Directors shall have one chairman, one vice-chairman and three independent directors (at least one of them is the professional in accounting). The chairman and vice-chairman shall be the directors who are nominated by the shareholders, and may be elected or dismissed by more than half of all the directors.

### **Article 6.6 Convening of Board Meetings**

Board meetings shall be held at least three times every year and shall be convened and presided by the Chairman. If the Chairman is unable to perform his duties, he may authorize the Vice-Chairman or other directors to take the chair.

All directors shall be given ten day's notice of the board meeting. The notice of the board meeting shall specify the date and the venue of the board meeting name and the proposed resolutions to be passed at the board meeting. More than half of all the directors attending the board meeting shall be the quorum for board meetings. If the Chairman and the directors are unable to attend the board meeting, they may appoint proxies to attend the board meeting and vote on their behalf. Such appointment shall be in writing and the letter of appointment shall specify the authorities of the proxy.

Directors who do not attend or appoint other directors as proxies to attend board meetings for two consecutive occasions shall be regarded as unable to perform their duties and the Board of Directors may propose resolutions to the general meeting to dismiss such directors.

Where the Board of Directors convenes an extraordinary board meeting, the method of giving notice of board meeting and the period of notice may be changed but all the directors shall be given five day's notice of the board meeting.

Except with the consents of two-thirds or more of all the directors for holding the meeting in another place, the board meeting shall be held at the address of the Company.

#### **Article 6.7 Extraordinary Meetings**

The Board of Directors shall convene an extraordinary board meeting in the following circumstances:

1. where the Chairman deems it to be necessary;
2. where one-third of the directors suggest holding a board meeting;
3. where the General Manager of the Company suggests holding a board meeting;
4. where the Supervisory Board of the Company requests to hold a board meeting;
5. where more than half of all the independent directors requests to hold a board meeting.
6. shareholders holding 10% or more of the voting shares propose it.

#### **Article 6.8 Functions and Powers of the Board of Directors**

The Board of Directors shall have the following functions and powers:

1. to be responsible for convening general meetings and to report the work of the Board of Directors at the general meeting;
2. to implement resolutions passed at general meetings;
3. to elect the Chairman and Vice-Chairmen of the Board of Directors;
4. to determine on the production and business plans and investment strategies of the Company;
5. to formulate the annual financial budget and final accounts of the Company, and to propose the profits distribution plans) the issue of shares or loss offset plans;
6. to formulate plans for the increase or decrease of the Company's registered capital, to extend the number of shares to be subscribed) or to decide on matters in relation to the methods for the listing and trading of the shares of the Company, pledging, leasing, transfer and takeover of the material assets of the Company and plans for the issue of debentures;
7. to formulate plans for the division, merger, dissolution and liquidation of the Company;
8. to determine the establishment of the internal management authorities of the Company, and to examine and approve rules and systems concerning the internal management of the Company;
9. to supervise, co-ordinate and direct the management and operation of the Company and its associated companies and enterprises;
10. to stipulate the amendment scheme for the Articles of Association;
11. to appoint and dismiss the General Manager) and to appoint and dismiss deputy general manager and other senior management personnel in accordance with the general manager's nomination, and to determine their remuneration and method of payment;
12. to appoint and dismiss the secretary of the Board of the Directors;
13. to compile, verify and issue discloseable information of the Company;

14. to appoint intermediary organizations (except accountants) to provide professional services to the Company, to appoint the directors of the Company, associated companies and enterprises (including any directors representing the Company in the joint ventures) and to propose to the general meeting to appoint) dismiss or terminate the service of the accountants;
15. to formulate the standard of salary and employees' welfare standard as well as the reward and penalty system for the employees;
16. to handle important external affairs of the Company; and
17. other functions and powers as stipulated in the Articles of Association or conferred by the shareholders at general meetings.

The restrictive power of the Board of Directors in risk investment with the assets of the Company:

Risk investment range: refrigeration and air conditioning industry and other fields.

Restrictive amount of fund for application: not exceeding 5% of the total assets audited most recently of the Company.

#### **Article 6.9 Duties and Powers of the Chairman**

The principal duties and powers of the Chairman are as follows:

1. to preside over and convene general meetings) to preside over board meetings and to represent the Board of Directors in reporting to the general meetings on the work of the Board of Directors;
2. to lead the work of the Board of Directors) to monitor and report the progress on the implementation of resolutions of the Board of Directors to the Board of Directors) to give guidance on the important business activities of the Company and to report important problems to the next board meeting;
3. to sign the share certificates of the Company and all documents and statements which shall be signed by the legal representative of the Company, to sign the resolutions and minutes of the board meetings and other important documents in the name of the Board of Directors;
4. to nominate candidates for the position of the General Manager for consideration and approval of the Board of Directors;
5. to exercise absolute discretion in decision-making and disposal concerning the business of the Company in emergencies arising from force majeure such as wars or serious natural disasters but such decision and disposal shall be made in the interests of the Company and shall be reported to the Board of Directors and shareholders at general meetings afterwards.
6. other duties and powers as stipulated in the Articles of Association or conferred by resolutions of the Board of Directors.

Where the Chairman is unable to perform his duties for any reasons, he may authorize the Vice-Chairman or other directors to perform his duties on his behalf.

#### **Article 6.10 Dismissal of Directors**

Any director of the Company who commits any of the following acts during his term of office shall be dismissed in accordance with the procedures stipulated in the Articles of Association:

1. makes use of his position and powers to accept bribes or other illegal income or illegally takes the possession of the properties of the Company;
2. embezzles the funds of the Company or lends the funds of the Company to other

persons or uses the Company's assets as security for the debts of other persons;  
3. conducts business for himself or for others which competes with the Company or engages in activities which are detrimental to the interests of the Company;  
4. affirmed by the securities administration department of the government as being prohibited to enter the market;  
5. discloses without permission the confidential information of the Company which causes harm to the business and reputation of the Company; or  
6. engages in other illegal activities as stipulated by the laws and regulations.

#### **Article 6.11 Resignation of Directors**

Directors may resign before the expiry of their terms of office. Unless a director's certain responsibilities have not been discharged, the resignation shall take immediate effect upon reporting to the Board of Directors and need not be approved by the shareholders in general meeting or the Board of Directors. The resignation in respect of the Chairman or a director who is also the general manager, shall become effective only after an examination in respect of the resignation has been conducted. Any director who cannot resign as certain responsibilities have not been discharged or has not passed the examination in respect of the resignation but terminates the term of office without permission shall be liable to compensate for any loss incurred by the Company as a result.

#### **Article 6.12 Voting by the Board of Directors**

The system of "one person, one vote" shall apply to the meeting of the Board of Directors. Any resolution of the Board of Directors shall be adopted by the majority of all directors. Any director, who is associated with the enterprise concerned in the resolution matter of the Board meeting, shall neither exercise his/her voting right nor exercise the voting right as the proxy of other director. Such a Board meeting can be held with the majority of unassociated directors attending and any resolution made at the meeting shall be adopted by the majority of unassociated directors. In case there are less than three unassociated directors attending the Board meeting, the matter shall be submitted to the general meeting of shareholders for review.

Except with the approval of more than half of all the directors (excluding the interested directors) or the approval of shareholders in general meeting, directors shall not enter into any contracts or transactions with the Company.

#### **Article 6.13 Written Resolutions**

The Board of Directors may pass a written resolution without convening a board meeting provided that the written resolution shall be circulated among and signed by all the directors. A written resolution shall take effect from the day when it is signed by the last director. A written resolution shall have the same effect as other resolutions passed by the Board of Directors.

#### **Article 6.14 Rules of Decisions of the Board of Directors**

The Board of Directors may set out rules of decisions to ensure that the Board of Directors can operate effectively and perform their duties properly. The rules of decisions of the Board of Directors shall be implemented after they have been examined and approved by the shareholders in general meeting.

#### **Article 6.15 Minutes of Board Meeting**

Minutes of board meeting shall be prepared which shall record the agenda and the material contents of the board meeting including the date and venue of the board meeting,

the name of the convener, the names of the directors present, the names of the directors who appoint proxies to attend the board meeting and the names of the proxies, the agenda, the voting method and result of every proposed resolution. The minutes shall be signed by all the directors present at the meeting (including the proxies appointed by the directors) and shall then be filed and shall not be destroyed for ten years. Directors are entitled to request to have certain notes recorded in the minutes.

Directors shall be responsible for the resolutions of the board meeting. When the resolution of the Board of Directors is in contravention with the laws and regulations or the Articles of Association and causes serious losses to the Company, the directors approving the resolution shall be liable to compensate the Company. However, a director may be exempted from liabilities if it is proved and recorded in the minutes of board meeting that he objected to the relevant resolution during voting. Directors who neither attended the meeting, nor appointed proxies, nor provided written opinions regarding the relevant resolution at the time of the board meeting or prior to the board meeting, shall be regarded as not having expressed any objections and shall not be exempted from liabilities.

#### **Article 6.16 Secretary of the Board of Directors**

The Company shall have a secretary of the Board of Directors. The Secretary shall be appointed and dismissed by the Board of Directors and shall be the Company's senior management personnel responsible for the secretarial matters of the Board of Directors and be accountable to the Board of Directors.

The Secretary of the Board of Directors shall perform the following duties:

1. to prepare and submit reports and documents issued by the Board of Directors and the shareholders in general meeting as required by the relevant government departments;
2. to make preparations for the board meetings and general meetings and to be responsible for preparing the minutes of the meetings and for the safekeeping of documents and minutes of the meetings;
3. to assist the Board of Directors to comply with the relevant laws and regulations, the Articles of Association and various rules of the Company in the performance of their duties;
4. to be responsible for the disclosure of the Company's information in accordance with the laws;
5. to be responsible for the safe-keeping of the register of shareholders and the seal of the Board of Directors;
6. to handle relevant matters arising between the Company and the directors, securities management departments, stock exchange, shareholders and other relevant organizations;
7. to perform other duties as authorized by the Board of Directors.

The position of the Secretary may be taken up by a director of the Company, but where an act shall be done by a director and the Secretary in separate capacities, the director who is also the Secretary shall not act in dual capacities.

#### **Article 6.17 Independent directors**

Independent directors are the directors who do not hold any positions in the Company other than the director, and have no relationship with the Company or major directors which may disturb their independent and objective judgments.

An independent director shall have good faith and give encouragement to the Company and all shareholders. He shall earnestly fulfill his obligations according to the concerned

laws and regulations and these Articles of Association, and protect the overall interests of the Company, in particular, shall concern about and protect the legal rights and interests of medium or minority shareholders.

To be an independent shall meet the following basic conditions:

1. holding the qualification to be the director of a listed company according to the laws, administrative regulations and other relevant regulations;
2. being independent;
3. having the basic knowledge about operations of a listed company, and being familiar with relevant laws, administrative regulations and rules;
4. having the experience in laws, economy or other fields necessary to be an independent director; and
5. other conditions stipulated in these Articles of Association.

The following persons shall not act as the independent directors:

1. A person holding the position in the Company or its subordinate entities, and his lineal relative and those keeping major social relations with him;
2. A natural-person shareholder who directly or indirectly holds 1% or more of the shares having been issued by the Company or is one of the first ten shareholders, and his lineal relatives;
3. The personnel in a shareholder unit directly or indirectly holding 5% or more of the shares having been issued by the Company or which is one of the first five shareholders of the Company, and their lineal relatives;
4. Anyone who has been at the states listed in the above three items within the past year;
5. Anyone who provides service as an accountant, lawyer or consultant to the Company or its subordinate entities;
6. Other persons stipulated in these Articles of Association;
7. Other persons identified by the China Securities Regulatory Commission.

Nominating, electing and replacing independent directors shall be according to the following procedure:

1. The Board of Directors, Supervisory Board or a shareholder or shareholders holding 1% or more of the issued shares of the Company may nominate independent director candidates, who shall be confirmed through voting at the general meeting;
2. Nominating an independent director shall obtain the consent from the nominated person. The nominating person shall have good knowledge about the occupation, educational background, professional qualification, detailed employment experience and all information about his part-time jobs of the nominated person, and shall give opinions about his qualification and independence as an independent director. The nominated person shall make public statements that he has no relationship with the Company which may disturb his independent and objective judgments;
3. Before the general meeting for voting the independent directors is held, the Company shall submit the information about all the nominated persons to the China Securities Regulatory Commission, its representative office at the location of the Company, and the stock exchange where the Company's shares are listed. If the Board of Directors has any objections about the conditions of any nominated person, the opinions in writing of the Board of Directors shall be attached. When the general meeting is held for electing the independent directors, the Board of Directors shall state whether or not the China Securities Regulatory Commission has any objections about the independent director

candidates;

4. The term of office for the independent directors is the same as that for other directors of the Company, and is renewable on re-appointment. However, the renewed term of office shall not exceed 6 years;

5. In case of any independent director who does not attend personally the board meetings for successive three times, the Board of Directors shall submit a proposal to the general meeting for replacing him. Except for the cases above listed, and for the cases of preventing from being a director as stipulated in the Company Law, any independent director shall not be dismissed before expiration of his term of office. Anyone who is dismissed before expiration of his term of office shall be disclosed as a special matter. The dismissed independent director, if he thinks it improper that the Company dismisses him, may make public statement.

6. An independent director may resign from his office before expiration of his term of office. In this case, the independent director shall hand the written resignation over to the Board of Directors stating the conditions related to his resignation or that he thinks necessary to draw attentions from the Company's shareholders or debt creditors. If the independent director's resignation results in that the number of independent directors in the Board of Directors is less than the quorum, the resignation report of this independent director shall not come into effect until a successor makes up his position.

Apart from the authorities of office endued by the Company Law and other relevant laws and regulations, an independent director has the following special authorities of office:

1. Major associated transactions (the associated transactions to be reached between the Company and the associated party with the total value more than RMB 3 million or 5% of the Company's net assets recently audited) shall be agreed by the independent director before submitted to the Board of Directors for discussion;

The independent director may invite an agency to issue the independent financial consultant's report, by which he can make the judgment.

2. He can make a motion to the Board of Directors for engaging or dismissing an accountant firm;

3. He can submit a proposal to the Board of Directors for convening an extraordinary general meeting;

4. He can propose to convene a board meeting;

5. He can independently engage external auditors and consultants;

6. He can acquire votes from shareholders before a general meeting is held.

The independent director's exercising the above special authorities shall be subject to consent of one half of all the independent directors. If the proposals as above listed are not adopted or these authorities of office are unable to be exercised normally, the Company shall disclose the information.

The independent director shall present his independent opinions on the following matters at the board meeting or general meeting:

1. nomination or dismissal of directors;

2. employment or dismissal of senior staff members;

3. salary and remuneration standard for the Company's directors and senior staff members;

4. existing or new loans or other current accounts of the Company's shareholders, actually controlling persons and associated entities from or with the Company with the total value

more than RMB 3 million or 5% of the Company's net assets recently audited; and the Company's actions to collect such loans;

5. matters which may damage the rights and interests of medium and minority shareholders in his opinion;

6. other matters stipulated in these Articles of Association.

In order to ensure the effective exercise of independent director's authorities of office, the Company shall provide the necessary conditions as below:

1. The Company ensures the independent directors having the same right to learn the truth as other directors doing. For any matters to be decided through resolutions of the board meeting, the Company must inform the independent directors in a legal time with a complete set of documents delivered to them. If any independent director thinks the documents incomplete, he may ask for supplements. When two or more independent directors believe that the documents are incomplete or the demonstration is not clear, they may make a joint request in writing to the Board of Directors for postponing the board meeting or postponing review of that matter, and the Board of Director shall adopt it.

2. The Company offers the independent directors the work conditions necessary for their exercise of authorities. The secretary of the Board of Directors shall actively assist the independent director in his work. For any independent opinions, proposals and written statements made by the independent directors, which should be announced, the secretary shall timely deal with such announcements.

3. The concerned personnel of the Company shall cooperate in the independent director's exercise of authorities, without refusal, hindering, concealing, or intervening their independent exercise of authorities.

4. Expenses incurred in engagement of agencies by the independent directors and other expenses necessary for their exercise of authorities shall be borne by the Company.

5. The Company shall offer the independent directors appropriate allowances. The standard for the allowances shall be preplanned by the Board of Directors and adopted at the general meeting with disclosure on the Company's annual report.

6. The Company may establish the necessary liability insurance system for independent directors to minimize the independent director's risks in his exercise of authorities.

## **Chapter 7 Supervisory Board**

### **Article 7. 1 Supervisory Board**

The Company shall have a Supervisory Board which shall be the supervising authority for the business operations of the Company. The Supervisory Board shall exercise a supervisory function over the senior management personnel such as the Board of Directors, individual directors and the general manager.

The Supervisory Board shall be accountable to and shall report to the shareholders at general meetings.

### **Article 7.2 Composition of Supervisory Board**

The Supervisory Board of the Company shall consist of three supervisors, two-thirds of whom shall be the representatives of the shareholders who shall be elected and dismissed by the shareholders in general meeting while the other one-third shall be the staff representative(s) of the Company who shall be elected and dismissed by the staff of the Company.

The chairman of the Supervisory Board shall be elected and dismissed by more than

two-thirds of all supervisors. Supervisors cannot concurrently be the directors, general manager, financial controller or other senior management personnel of the Company.

#### **Article 7.3 Term of Office of Supervisors**

A supervisor shall be appointed for a term of 3 years and may serve consecutive terms if reappointed.

A supervisor may resign before the expiry of his term of office, and the provisions of Article 6.11 in respect of the resignation of directors are also applicable to supervisors.

#### **Article 7.4 Duties and Powers of the Supervisory Board**

The Supervisory Board shall have the following duties and powers:

1. Examining the Company's regular reports prepared by the Board of Directors and giving the written opinions;
2. Examining the Company's accounts;
3. Supervising the directors and senior management members' act in their duty in the Company and proposing to dismiss those violating the laws and regulations, these Articles of Association or resolutions of the general meeting;
4. Requiring the director or senior management member, whose act impairs the Company's interest, to correct;
5. Proposing to convene an extraordinary general meeting or convening and presiding over the general meeting if the Board of Directors fails to perform its duty to convene and preside over the general meeting according to the Company Law;
6. Presenting proposals to the general meeting;
7. Bringing suit against directors or senior management members according to Art. 152 of the Company Act;
8. Conducting investigations on any abnormality of the Company's operation; and
9. Exercising other authorities granted by the laws and regulations, these Articles of Association or the general meeting of shareholders.

The Company shall be responsible for all costs arising from the engagement of professionals such as lawyers, registered accountants and auditors incurred by the Supervisory Board in the exercise of its functions.

#### **Article 7.5 Report of Illegal Activities**

Where the Board of Directors and the general manager act in contravention of any statutory regulations and the Articles of Association of the Company, the Supervisory Board shall promptly stop them. If the actions taken to stop the said activities prove to be ineffective, the situation shall be reported to the shareholders in general meeting and the relevant government authority.

#### **Article 7.6 Meetings of the Supervisory Board**

The Supervisory Board shall hold at least three meetings every year. The Supervisory Board shall hold at least one meeting every six month.

Meetings of the Supervisory Board shall be convened by the chairman of the Supervisory Board and the chairman of the Supervisory Board shall decide on the time and method of giving notice of meeting. The notice of meeting shall include the date, the agenda and the venue of the meeting and the date of notice.

Meetings of the Supervisory Board shall be presided over by the chairman of the Supervisory Board. In the event that he is not able to attend a meeting, he shall appoint another supervisor to preside over the meeting on his behalf. Where no appointment has been made, those supervisors who are present at the meeting shall elect a supervisor to

preside over the meeting.

#### **Article 7.7 Special Meetings of the Supervisory Board**

The chairman of the Supervisory Board may convene special meetings based on actual needs or at the request of more than one-third of the supervisors. When requesting to convene a special meeting of the Supervisory Board, the supervisors shall clearly state the reason and purpose of the meeting.

#### **Article 7.8 Resolutions of the Supervisory Board**

Resolutions of the Board of Supervisors shall be adopted by the majority of all supervisors. Supervisors have the right to speak in the meetings of the Supervisory Board. The Supervisory Board shall put all proposed resolutions raised by any supervisors for voting.

#### **Article 7.9 Minutes of the Meeting of the Supervisory Board**

Minutes of the meetings of the Supervisory Board shall be prepared and signed by the supervisors and the recorder present at the meeting. The supervisors are entitled to request certain matters to be noted in the minutes with respect to his opinions expressed. The provisions of Article 6.15 in relation to the preparation of the minutes of board meetings are also applicable to those of the meeting of the Supervisory Board.

#### **Article 7.10 Dismissal and Compensation**

Supervisors shall abide by all the laws and regulations and the Articles of Association and shall act in good faith and diligently. The provisions of Articles 6.10 and 6.15 with respect to the dismissal of and the compensation to the directors are also applicable to that of the supervisors.

### **Chapter 8 Business Management Structure**

#### **Article 8.1 General Manager and Deputy General Manager**

The Company shall adopt a system whereby the general manager assumes responsibility under the leadership of the Board of Directors. There shall be one general manager and several deputy general managers. Under the leadership of the Board of Directors, the general manager shall be responsible for the management of the day-to-day operations of the Company. The deputy general managers shall assist the general manager in his work and when the general manager is unable to perform his duties for any reason, the Board of Directors shall authorize a deputy general manager to perform the duties of the general manager. The Company shall have several functional departments working under the leadership of the general manager.

The general manager is appointed for a term of 3 years and can serve consecutive terms if reappointed.

#### **Article 8.2 Election**

The general manager shall be nominated by the chairman and appointed by the Board of Directors. The deputy general managers and other senior management personnel shall be nominated by the general manager and appointed by the Board of Directors. The general manager and deputy general managers may also be the members of the Board of Directors.

Any person who holds the position other than a director in the Company's controlling shareholder or actual controller's unit shall not hold any position in the senior management of the Company.

#### **Article 8.3 Resignation**

The general manager and deputy general manager can resign before the expiry of his term of office. A resignation report submitted to the Board of Directors shall only be effective after an examination on the resignation report has been completed. Those who resign before the examination is completed shall be responsible for any economic loss suffered by the Company.

#### **Article 8.4 Duties and Powers of the General Manager**

The general manager shall have the following duties and powers:

1. to attend the board meetings, to implement the Company's Articles of Association and resolutions passed at general meetings and board meetings, to be directly accountable to the Board of Directors and to report to the same on his work;
2. to be fully responsible for the Company's operation, management and routine business;
3. to formulate the Company's production, operation and development plans and the annual financial and accounting plans, and to propose the profits distribution plans and losses offset plans;
4. to organize and prepare the Company's basic management systems, basic regulations and to render opinions on the establishment and adjustment of any part of the Company structure and to submit them to the Board of Directors for approval before implementation;
5. to nominate the deputy general managers and other senior management personnel and to appoint or dismiss other management personnel who are not required to be appointed or dismissed by the Board of Directors;
6. to decide on matters relating to the staff of the Company including rewards or penalties, promotion or demotion, increase or decrease in salary, appointment, dismissal and termination of service;
7. within the scope authorized by the Board of Directors, to represent the Company in handling external affairs and to enter into economic contracts and agreements, to represent the Company in performing obligations under the contracts and to check and supervise in order to ensure that all departments of the Company comply with the terms and conditions specified in the contracts;
8. to sign and issue documents concerning the daily business, the financial expenses and the administration of the Company;
9. to exercise other functions conferred by the Board of Directors.

The general manager shall not, in performance of his duties, change the resolutions of the shareholders passed at general meetings and the resolutions of the Board of Directors and shall not exceed the authorized scope of his powers.

#### **Article 8.5 Duties and Powers of the Deputy General Manager**

The deputy general managers shall have the following duties and powers:

1. to assist in the work of the general manager and in the case where the general manager cannot exercise his duties and powers, to act on his behalf with the authorisation of the Board of Directors.
2. to be responsible for the management of the work of the designated departments.

#### **Article 8.6 Limitations on the Conduct of the Management Personnel**

1. The directors, the general manager and the staff at all levels shall not engage in activities which compete with or jeopardise the interests of the Company. All the income received from the above activities shall belong to the Company.
2. The remuneration of the general manager and his interests in the Company shall be

stated in the annual report.

3. The directors, the supervisors, the general manager and other senior management personnel shall not receive bribes or other illegal income in any way and shall not misappropriate the Company's properties to seek personal gain nor use the Company's assets as security for the liabilities of the Company's shareholders or other individuals.

4. Except with the approval of more than half of the directors (excluding the directors with an interest) or the approval of shareholders in general meetings, the general manager shall not enter into any contracts or transactions with the Company.

5. The directors, the supervisors and the general manager shall observe the Articles of Association, shall perform their duties in good faith, shall protect the Company's interests, and shall not make use of their office and powers in the Company to seek personal gain.

6. Under anyone of the following situations, a person shall not take the office of a director, the supervisor or the general manager of the Company:

(1) a person has no legal capacity or his legal capacity is restricted; or

(2) in any other situations where the laws or regulations provide that a person is unsuitable for taking the office of a director, a supervisor or the general manager.

#### **Article 8.7 Penalties**

Where the Company suffers economic losses as a result of the contravention of the laws and regulations, the Articles of Association or the resolutions passed by shareholders in general meetings, practice of favoritism, malpractice or neglect of duties by senior management personnel such as the directors or the general manager) depending on the circumstances and upon approval by the Board of directors, the following punishments shall be imposed:

1. to restrict their rights;

2. to remove them from their office;

3. to hold them liable for any resulting economic loss;

4. where there is violation of law, to initiate proceedings in a judicial authority pursuant to the laws and to hold them legally liable.

### **Chapter 9 Labour and Personnel Management**

#### **Article 9.1 Labour and Personnel Management and Salary**

The Company is entitled to employ staff and to formulate its personnel management policies at its own discretion in accordance with the Labour Law of the People's Republic of China and statutory regulations and policies concerning labour and personnel management of Liaoning Province and Dalian Municipality.

The Company is entitled to determine the salaries of the salaried personnel and the method of payment at its own discretion in accordance with the laws.

#### **Article 9.2 Employment Contracts**

The Company shall enter into employment contracts with its staff and workers to provide for the employment relationship and to clarify the rights and obligations of both parties.

The Company is entitled to impose administrative penalties on unqualified staff, even to the extent of their dismissal or discharge from the Company. An employee who is dismissed shall be given one month's notice and shall be entitled to address his grievances to the relevant department of the Company and government department.

Employees of the Company have the freedom to resign provided that necessary procedures in accordance with the Company's personnel management policies must be

complied with. Resigning employees who fail to follow the prescribed procedures shall be liable for any economic loss suffered by the Company.

#### **Article 9.3 Employees Welfare**

The Company shall allocate funds to cover the insurance for the medical treatment, retirement and unemployment of its employees in accordance with the relevant laws and regulations of the State and Liaoning Province. Employees shall enjoy the corresponding insurance benefits.

#### **Article 9.4 Health and Safety at Work**

Labour protection and the related disputes shall be dealt with in accordance with the Labour Law of the People's Republic of China and other relevant statutory regulations.

#### **Article 9.5 Holidays**

The staff of the Company shall be entitled to holidays in accordance with the provisions of the laws and regulations of the State.

#### **Article 9.6 Labour Union**

The Company's employees are entitled to form a labour union, to organize union activities and to safeguard their legal interests in accordance with the Labour Union Law of the People's Republic of China and other relevant regulations.

The labour union of the Company is the representative of the staff's interests. Its primary objective is to protect the rights and material interests of the staff in accordance with the laws, to assist and supervise the use of the Company's reserves and public welfare fund, to organize the education of the staff on science and technology and to develop cultural and sports activities.

When the Board of Directors of the Company is deciding on matters concerning the staff's personal interests including salaries, benefits, industrial safety, labour protection and labour insurance, the labour union and the staff of the Company shall be consulted and the representatives of labour union shall be invited to attend the relevant meetings.

### **Chapter 10 Finance, Accounting and Auditing**

#### **Article 10.1 Financial Systems**

The Company shall formulate its financial and accounting system and internal auditing system and shall prepare quarterly reports, interim reports and annual reports in accordance with the relevant laws and regulations of the State.

#### **Article 10.2 Accounting Year**

The Company shall adopt the Gregorian calendar year as its accounting year, which shall begin on 1st January and end on 31st December of each year.

#### **Article 10.3 Book-keeping System**

The Company shall adopt the accrual basis of accounting and the debit and credit double entry system as commonly used worldwide.

#### **Article 10.4 Denomination of Currency**

The Company shall adopt the Renminbi as the denomination of currency in preparation of its accounts. When converting Renminbi into other currencies, the exchange rate shall be fixed at the median of the buying and selling rates at the foreign exchange trading market as published by the People's Bank of China on the actual day of conversion. Business conducted in currencies other than the Renminbi shall be processed in accordance with the relevant laws and regulations relating to the foreign currency administration of the State.

**Article 10.5 Language for Bookkeeping**

The Company's vouchers, account books and statements shall all be prepared in Chinese. Books and statements may also be prepared in English if necessary, but the Chinese version shall prevail.

**Article 10.6 Quarterly Report, Interim Report and Annual Report**

An accounting firm registered in the People's Republic of China with authority to undertake securities business shall be appointed to examine and audit the Company's annual report and the audit report issued by the said accounting firm shall prevail.

The Company's quarterly report, interim report and annual report shall be prepared according to the relevant laws and regulations. The Company's quarterly report shall be worked out within 30 days respectively after the third month and the ninth month of each accounting year, the interim report shall be worked out within 60 days after the first 6 months of each accounting year while the annual report shall be worked out within 120 days of the closing of the accounting year.

**Article 10.7 Statements**

The Company's accounting statements, statistical statements and relevant financial documents shall be submitted regularly to the financial department, taxation department and statistics department of the State. A copy of such documents shall be submitted to the government department in charge and shall be kept in the Company for shareholders' inspection.

All accounting statements shall be kept by the Company for at least 10 years.

**Article 10.8 Financial Report**

For each accounting year, the Company shall maintain its financial report audited by an accounting firm at the registered address of the Company for the shareholders to inspect and photocopy and shall publish the financial report in accordance with the laws and regulations and the Articles of Association. The balance sheet and the profit and loss account for the accounting year shall be audited and signed by a registered accountant. Upon receipt of a shareholder's written request for the financial report and the relevant payment for reasonable printing and postage costs, the Company shall send out the financial report within three business days.

The Company's financial report shall include (but not limited to) written explanations of the financial condition, a balance sheet (only applicable to an annual report), a statement on changes in financial position and a statement on profits distribution.

Where necessary, the aforesaid financial statements may be presented in a summary form or as a brief report.

**Article 10.9 Internal Audit**

The Company shall adopt an internal auditing system. As prescribed in the Articles of Association, the internal auditing department shall carry out internal auditing and supervision of the Company's income and expenditure and economic activities under the leadership of the Board of Directors, and it shall be accountable to the Board of Directors.

**Article 10.10 Common Reserves**

The Company shall set up two kinds of common reserves:

1. Surplus common reserve which is divided into two kinds:

(1) Statutory surplus common reserve. The Company shall allocate from the after-tax profits of the current year an amount not less than 10 per cent thereof to the surplus

common reserve. However, in the event that the surplus common reserve has reached 50 per cent of the issued share capital, the allocation may be stopped;

(2) Discretionary surplus common reserve shall be allocated and utilized in accordance with resolutions passed by shareholders in general meetings.

2. Capital common reserve. common reserve. The following sums shall be allocated to the capital:

(1) premiums generated from the issue of securities in excess of their nominal value;

(2) donations received;

(3) other amounts which shall be included pursuant to the regulations of the State.

#### **Article 10.11 Use of Common Reserves**

The public reserve fund of the company is used for making up the company's deficit, expanding production and business of the company or being transferred for increase of the capital of the company. However, the capital surplus shall not be used for makeup of the company's deficit.

When the statutory surplus common reserve has been converted into capital, the balance of the statutory surplus common reserve shall not be less than 25 per cent of the registered capital.

#### **Article 10.12 Appointment of certified public accountants**

The Board of Directors shall not appoint any certified public accountants before the general meeting adopts the resolution.

### **Chapter 11 Profits Distribution**

#### **Article 11. 1 Paying Taxes in accordance with the Laws**

The Company shall implement the relevant taxation system of the State, shall pay taxes to the government in accordance with the laws and to accept the examination and supervision of the financial and taxation authorities of the State.

#### **Article 11.2 Distribution of After-tax Profits**

The Company's annual after-tax profits shall be distributed according to the following order and ratio:

1. for offsetting the losses of the previous year;
2. 10 per cent allocation to the statutory surplus common reserve;
3. allocation to discretionary surplus common reserve;
4. payment of dividends.

The distribution ratio of the after-tax profits shall be recommended by the Board of Directors in accordance with the Company's business situation for the current year and shall be submitted to the shareholders in general meeting for examination and approval. It shall not be drawn any more in case the company's accumulated legal reserve exceeds 50% of its registered capital.

The company's after-tax profit after any loss is made and the reserve is drawn should be distributed according to the shareholding of the shareholders, except that the profit can not be distributed according to the shareholding as specified in the Articles of Association.

If the shareholders general meeting breaks the above regulation and distributes profit to the shareholders before making up the loss and drawing the legal public reserve, the shareholders must return to the company the profit distributed by breaking the regulations.

The shares held by the company itself has nothing with the profit distribution.  
If the shareholders general meeting adopts resolutions on the profit distribution plan, the board of directors of the company shall finish the distribution of dividend (or share) within two months after the shareholders general meeting.

Plan to repay the shareholders of the company:

The company emphasizes rational investment return of shareholders and considers concurrently the sustainable development of the company.

The company implements a positive profit distribution policy and maintains its continuity and stability.

In principle, the company distributes dividends once each year and does this by cash in priority.

The company will strive to distribute dividends in cash at a proportion exceeding the minimum proportion as regulated by the Articles of Association of the company.

Profit distribution decision-making procedure and mechanism of company:

In drawing up the profit distribution preplan each year, the company should consider comprehensively such factors as the characteristics of the industry it is in, development stage, self operation mode, profit level, cash flow position and important fund disbursement arrangement, etc. The above profit distribution preplan can be submitted to the general shareholder meeting for review subject to agreement by more than half of all directors and independent directors expressing their explicit opinions on this.

When the Board of Directors of the company reviews the above profit distribution preplan, it should carefully study and demonstrate such matters as company cash dividend distribution opportunity, condition and minimum proportion, etc.

When the company reviews the above profit distribution preplan by holding a general shareholders meeting, it should communicate and exchange with shareholders, especially medium and small shareholders on its own initiative through multiple channels, sufficiently listen to the comments and appeals of medium and small shareholders and reply questions that medium and small shareholder concern about.

Condition, decision-making procedure and mechanism for company to adjust profit distribution policy:

In case of any force majeure or a substantial change in the external operating environment or self operation condition of the company, the company may adjust the profit distribution policy.

The Board of Directors of the company is under way of studying and demonstrating the profit distribution policy. It should consider sufficiently the opinions of independent directors and medium and small shareholders; after adjustment, the profit distribution policy should not violate related regulations of China Securities Regulatory Commission and the securities exchange.

An adjusted profit distribution policy can be submitted to the general shareholders meeting for review only subject to agreement by more than half of all directors and the independent directors making explicit comments. When the general shareholders meeting reviews an adjusted profit distribution policy, the voting method should meet related regulations of China Securities Regulatory Commission and the securities exchange and be passed by over 2/3 of voting rights held by the attending shareholders (including shareholder's representatives).

### **Article 11. 3 Dividends**

In principle, the Company shall distribute dividends based on the number of shares in issue once every year after the Company's final accounts at the end of the year (except pursuant to special resolutions passed by the shareholders' general meeting). No fixed dividends shall be paid for ordinary shares and dividends may be paid in the following manner:

1. Cash: Cash dividends shall be declared in Renminbi. Dividends in respect of domestic shares shall be paid in Renminbi whereas dividends in respect of foreign investment shares shall be paid in Hong Kong Dollars. The exchange rate of Renminbi to Hong Kong Dollars shall be referred to the median exchange rate as quoted by the People's Bank of China on the first business day after the date of the general meeting.
2. Shares: Shareholders may receive proportional bonus shares for the types of shares they hold in accordance with the laws.

When the company distributes share dividends, it shall adopt cash dividend distribution method in priority. The company may, under the prerequisite of meeting cash dividend distribution proportion requirement, distribute profits by presenting bonus shares. When making profit distribution with bonus shares, such true and reasonable factors as company growth, dilution of net asset value per share, etc. should be available.

When the company makes profit distribution, the minimum proportion of cash dividend distribution accounting for this profit distribution should reach 20%.

The amount of dividend in cash distributed annually by the Company shall not be less than 10% of the net profit of the Company in that year, or the accumulated amount of dividend in cash in the past three years shall not be less than 30% of the annual net profit on the average made in the past three years.

### **Article 11.4 Income Tax for Dividends**

When distributing dividends and bonuses, the Company shall withhold and pay on behalf of the shareholders taxes payable on dividends in accordance with the laws.

After payment of tax, the dividends and other entitlements arising from the foreign investment shares may be remitted abroad.

### **Article 11. 5 Notice of Distribution of Dividends**

The Company shall inform shareholders of distribution of dividends by publishing announcements in the newspapers specified in Chapter 14 of the Articles of Association.

## **Chapter 12 Merger and Division**

### **Article 12.1 Resolutions and Approval**

Mergers or divisions of the Company shall be effected in accordance with the stipulations of the Articles of Association. A merger or division plan shall be adopted by the Board of Directors and relevant resolution shall be passed by shareholders in general meeting. A merger or division plan shall be submitted to the relevant examining and approving authority for approval.

### **Article 12.2 Method and Procedures**

Mergers of the Company may be carried out by takeover or establishment of a new entity, and divisions of the Company may be carried out by sub-division or establishment of new

entities.

Mergers or divisions of the Company may be carried out in accordance with the following procedures:

1. the Board of Directors formulates the plans for merger or division;
2. all the parties involved in the merger or division sign a merger or division agreement;
3. shareholders in general meeting pass relevant resolution in accordance with the Articles of Association;
4. report to the departments authorized by the State Council for approval;
5. sort out matters in relation to financial claims and liabilities in accordance with laws, and
6. comply with the registration procedures.

#### **Article 12.3 Sorting Out Financial Claims and Liabilities**

Within ten days after the passing of a resolution regarding merger or division by the shareholders in general meeting, notice shall be given to all the creditors. Such notice shall also be published in the newspapers specified in Chapter 14 within 30 days of the date of the resolution. Creditors who have received the notice are entitled within 30 days of the date of the notice, and creditors who have not received the notice are entitled within 45 days of the announcement, to request the Company to settle the debts or provide security for the liabilities.

#### **Article 12.4 Registration of Change**

The parties involved in a merger and division shall submit an application to the examining and approving authority of the State after the relevant agreement has been signed and shall within 30 days after obtaining the approval apply to the relevant company registration authority to register the change of registration of the original company or the establishment of the new company, or to cancel the registration of the original company, shall report to the taxation authority in charge to register the change in the particulars of the registration or to re-register or cancel the registration and shall publish an announcement in accordance with in Chapter 14 of the Articles of Association.

### **Chapter 13 Dissolution and Liquidation**

#### **Article 13.1 Conditions for Dissolution of the Company**

The Company shall be dissolved and liquidated on the occurrence of one of the following events:

1. The Company declares insolvent in accordance with the laws due to inability to settle debts due;
2. The Company is ordered to close down due to the serious violation of the laws and regulations of the State causing harm to the interests of the public;
3. The shareholders in general meeting decide that the Company should be wound up;
4. The Company has to be wound up due to the merger or division of the Company.

#### **Article 13.2 Liquidation after Dissolution**

The liquidation of the Company after termination shall be carried out according to the relevant procedures as stipulated by the laws as applicable to the particular cause of dissolution:

1. When the Company is declared insolvent in accordance with the law due to its inability to repay its debts due, the People's Court shall, in accordance with the relevant laws, organize the shareholders, the relevant authorities and the professionals to set up a

liquidation committee to liquidate the Company;

2. When the Company is ordered to terminate its operation due to its contravention with the laws and regulations of the state and infringement of the public interests, the relevant authorities in charge shall organize the shareholders, the relevant authorities and the relevant professionals to set up a liquidation committee to liquidate the Company;

3. If the dissolution is consequential to a resolution of shareholders in general meeting, the liquidation committee shall be set up within 15 days from the date of the passing of such resolution and the members of the liquidation committee shall be selected by an ordinary resolution of shareholders in general meeting;

4. If the Company is terminated due to the dissolution resulting from a merger or division, the liquidation shall be carried out by all the parties involved in the merger or division in accordance with the relevant agreement signed in connection with the merger or division.

#### **Article 13.3 Prohibition of New Business Activities**

After the liquidation committee has formed, the duties of the Board of Directors and the general manager shall be terminated immediately. During the period of liquidation, no new business activities shall be carried out by the Company.

#### **Article 13.4 Notice of and Application for Liquidation**

The Company shall inform its creditors within 10 days and a relevant announcement shall be published in accordance with Chapter 14 of the Articles of Association within 60 days after the establishment of the liquidation committee. Creditors who have received notice in writing shall, within 30 days upon receipt of the notice, or those who have not received notice in writing shall, within 45 days from the date of the announcement of the notice, declare their claims.

When creditors declare their claims, they shall specify the relevant matters in relation to the claims and shall provide proofs of debt. The liquidation committee shall register the claims.

Creditors who fail to file their claims within the above specified period shall not be included in the liquidation and can only request their debts to be settled from the remaining undistributed assets except for those creditors who believe that the Company is aware of their claims but fails to give them notice and are able to produce evidence of their claims.

#### **Article 13.5 Duties and Powers of Liquidation Committee**

The liquidation committee shall have the following duties and powers:

1. to examine the Company's properties, to prepare a balance sheet and a list of assets and to compile a liquidation plan;
2. to notify creditors or to make announcements;
3. to deal with and settle the outstanding business of the Company;
4. to settle outstanding taxes;
5. to deal with the Company's creditors and debtors and to dismiss the Company's staff;
6. to dispose of the remaining assets of the Company after settling the debts;
7. to represent the Company in civil legal proceedings;
8. to handle other matters specified by the laws and regulations and the Articles of Association.

#### **Article 13.6 Limitations on the Duties and Powers of the Liquidation Committee**

The liquidation committee shall not arrange settlements with creditors during the period for the filing of claims against the Company. The Company shall not however be released

from the responsibility of compensating damages caused as a result of the deferred settlement.

Notwithstanding the above, the liquidation committee may, with the permission of the court, settle those secured debts which will not prejudice the interests of other creditors.

#### **Article 13.7 Insolvency Declaration**

Whenever it is found that the Company's assets are insufficient to settle the debts, the liquidation committee shall immediately stop liquidation proceedings and shall lodge an application with the People's Court in accordance with the relevant procedures to declare the Company insolvent.

Upon a ruling by the People's Court that the Company be declared insolvent, the liquidation committee shall hand over the liquidation matters to the insolvency committee.

#### **Article 13.8 Order of Payment**

After the liquidation plan has been approved by shareholders in general meeting or the relevant government authority in charge, the Company's assets shall be appropriated to meet the liquidation expenses and thereafter be used for other payments in the following order:

1. salaries for the staff and labour insurance premium;
2. outstanding tax payments;
3. repayment of bank loans, the Company's bonds and other debts.

Having settled liabilities according to the above order, the remaining assets shall be distributed to the shareholders in proportion to their respective shareholdings.

Financial distributions in contravention of the aforesaid liquidation order shall be invalid. Creditors shall be entitled to demand the liquidation committee to recover the invalid distributions and to request compensation for any that losses incurred.

#### **Article 13.9 Cancellation of Registration**

Upon completion of liquidation, the liquidation committee shall present a liquidation report and shall prepare a statement of income and expenditure and various financial account books for the liquidation period. Upon certification by an accounting firm and approval by shareholders in general meeting and the relevant government department in charge, the liquidation committee shall lodge an application with the registration authority for cancellation of registration within 30 days from the granting of the approval and shall cancel the Company's registration at the taxation authority, pay all outstanding taxes, cancel tax payment invoices and relevant papers issued by the taxation authority, and announce the winding-up of the Company.

### **Chapter 14 Disclosure of Information**

#### **Article 14.1 Legal Basis**

Disclosure of information of the Company shall be subject to the requirements of the laws and regulations such as the "Company Law", "Provisional Regulations on the Administration of the Issue and Trading of Shares" and "Detailed Implementing Rules on Disclosure of Information for Companies Issuing Shares to the Public" and other stipulations regarding disclosure of information of the Stock Exchange on which the shares of the Company are listed.

#### **Article 14.2 Approval from Supervisory Authorities**

Before any disclosure of material events pursuant to the Articles of Association, the

Company shall report to the China Securities Regulatory Commission and the stock exchange on which the shares of the Company are listed about the method and the contents of the disclosure. The announcement shall not be made until their approvals have been granted.

#### **Article 14.3 Mode of Announcement**

The announcements on material matters (including announcements of interim financial reports and annual financial reports to shareholders) as required by the provisions hereof and other relevant regulations shall be published in Chinese in the People's Republic of China in at least one of the national newspapers designated by the China Securities Regulatory Commission and at the same time in both Chinese and English overseas (including Hong Kong, Macau and Taiwan) in at least one Chinese and one English newspaper.

Where any discrepancies arise between the Chinese version and the English version in relation to the understanding and the interpretation of the announcement concerned, the Chinese version shall prevail.

#### **Article 14.4 Joint Liabilities**

The Board of Directors shall warrant that all information and documents disclosed to the public is true and do not contain any statements which are severely misleading or have important omission. All the members of the Board of Directors shall be jointly responsible for this.

#### **Article 14.5 Management of Relationship with Investors**

The company shall establish and perfect the work system for investors' relationship management and shall strengthen actively communications and exchanges with shareholders, especially the social public ones, in multiple ways. The secretary of the Board of Directors of the Company shall be responsible concretely for the work of investor's relationship management.

### **Chapter 15 Amendment of the Articles of Association**

#### **Article 15.1 Amendment to the Articles of Association**

The Company may amend the Articles of Association as required by changes in the relevant laws and regulations and the actual situation of the Company. Any amendment to the Articles of Association shall be made in accordance with the procedures prescribed herein.

#### **Article 15.2 Procedures for Amendments**

When amending the Company's Articles of Association, the following procedures shall be followed:

1. A resolution to amend the Articles of Association shall be passed by the Board of Directors which shall propose the amendment;
2. The shareholders shall be informed of the proposed amendments and a general meeting shall be convened to vote on the proposed amendments;
3. The shareholders in general meeting shall vote on the proposed amendments. If the resolution obtaining the number of affirmative votes specified in Article 5.15 of the Article of Association shall be passed.
4. The amended Articles of Association shall be registered in a manner as required by the registration authority and a relevant announcement shall be published.

#### **Article 15.3 Inspection and Filing**

After the Articles of Association have been amended, the amended Articles of Association shall be kept at the registered address of the Company for shareholders' inspection and shall be filed for record with the Dalian Securities Administration Office and the stock exchange on which the shares of the Company are listed.

## **Chapter 16 Supplementary Provisions**

### **Article 16.1 Parts of Articles of Association**

All supplementary resolutions, articles of association and details relating to the Articles of Association passed by the shareholders in general meeting of the Company shall be integral parts of the Articles of Association.

### **Article 16.2 Settlement of Matters Not Covered**

Matters not covered by the Articles of Association shall be resolved at the next general meeting of shareholders in accordance with the Company Law and the relevant regulations.

### **Article 16.3 Other Rules and Systems**

All rules and systems adopted by the Company which are inconsistent with the Articles of Association shall all be invalid.

### **Article 16.4 Power of Interpretation of the Articles of Association**

The Board of Directors may interpret the provisions of the Articles of Association but the power of amendment shall be vested in the shareholders in general meetings.

Disputes shall be dealt with in accordance with the procedures prescribed in the Articles of Association.

### **Article 16.5 Effect of Figures**

The terms "above", "before", "at least", and "within" as mentioned in the Articles of Association shall be construed as inclusive of the figure itself.

### **Article 16.6 Taking Effect**

1. The Articles of Association have been passed by the shareholders in general meeting;
2. The Company has completed the issue of 115,000,000 domestically listed foreign investment shares to foreign investors and the shares issued have been fully paid-up;
3. After the completion of the above-mentioned share issue, the Company has registered the Articles of Association with the Dalian Administrative Bureau for Industry and Commerce.

### **Article 16.7 Arbitration and Applicable Laws**

Disputes or claims regarding the rights and obligations specified in the Articles of Association and the relevant laws and regulations arising between the shareholders of the domestically listed foreign investment shares and the Company, between the shareholders of the domestically listed foreign shares and the Company's directors, supervisors, general manager or other senior management personnel, and between the shareholders of the domestically listed foreign shares and the shareholders of Renminbi ordinary shares, shall be handled by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules.

The provisions of the above paragraph does not apply to cases in which the shareholders may initiate proceedings at the People's Court pursuant to Articles 5.20 and 6.17.

Any disputes concerning the Articles of Association shall be governed by the laws of the PRC.