

**ARTICLES OF ASSOCIATION**  
**OF**  
**HAIER SMART HOME CO., LTD.**

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

### CHAPTER 1 GENERAL PROVISIONS

**Article 1** The Articles of Association is formulated pursuant to the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Securities Law of the People's Republic of China (hereinafter referred to as the "Securities Law"), the Guidelines on Articles of Association of Listed Companies, the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 — Regulation of Operations, the Reply of the State Council on the Adjustment of the Notice Period of the Shareholders' General Meeting and Other Matters Applicable to the Overseas Listed Companies, the Guidelines for Corporate Governance of Listed Companies, the Rules Governing the Listing of Stock on the Shanghai Stock Exchange, the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises, the Guidelines for the Application of Regulatory Rules — Overseas Issuance and Listing No. 1, the German Securities Trading Act, the Listing Rules of the Frankfurt Stock Exchange (hereinafter referred to as the "Listing Rules of the FSE") (the German Securities Trading Act, the Listing Rules of the FSE and relevant EU regulations on securities issuance and trading are hereinafter collectively referred to as the "relevant listing regulations of Frankfurt Stock Exchange"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules") and other relevant provisions for the purposes of protecting the legitimate rights and interests of Haier Smart Home Co., Ltd. (hereinafter referred as the "Company"), its shareholders and creditors, and regulating organization and acts of the Company.

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

**Article 3** As approved by [1989] No.3 Circular issued by Qingdao Economic Systems Restructuring Commission, on the basis of the restructuring of the previous Qingdao Refrigerator General Factory (青島電冰箱總廠), Qingdao Qindao Haier Refrigerator Co., Ltd. (青島琴島海爾電冰箱股份有限公司) was established through fund raising by private placement (the Company name changed into Qingdao Haier Refrigerator Co., Ltd. when it was listed. In 2001, its name was changed into Qingdao Haier Co., Ltd. and in 2019 it was changed into its current name, ie. Haier Smart Home Co., Ltd.). The Company has been registered with and has obtained a business license from Qingdao Market Supervision and Regulation Department. The Company's unified social credit code as indicated in the business license is 91370200264574251E.

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

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

As approved by the CSRC on 27 October 2020, the Company issued 2,448,279,814 overseas listed foreign-funded H ordinary shares (hereinafter referred to as “H-shares”) and listed on the Stock Exchange of Hong Kong Limited (hereinafter referred to as “The Stock Exchange of Hong Kong”) by way of introduction on 23 December 2020.

**Article 5** The Company’s registered name:

In Chinese: 海爾智家股份有限公司

In English: Haier Smart Home Co., Ltd.

**Article 6** The Company’s domicile: Haier Industrial Park, Laoshan District, Qingdao  
Postal code: 266101

**Article 7** The Company’s registered capital is RMB9,438,114,893.

**Article 8** The Company is an other joint-stock company (listed).

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

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

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

Pursuant to the requirements under the Constitution of the Communist Party of China, the Company set up organizations and carries out activities of the Party. The Company provides the necessary conditions for the activities of the Party organizations.

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

The shareholders are entitled to sue the Company in accordance with the Articles of Association; the Company is entitled to sue the shareholders, directors, supervisors, presidents and other senior management in accordance with the Articles of Association; any shareholder is entitled to sue other shareholders in accordance with the Articles of Association; and the shareholders are also entitled to sue the directors, supervisors, presidents and other senior management of the Company in accordance with the Articles of Association. The term "sue" mentioned above shall include filing of a lawsuit at a court or applying for arbitration at an arbitral institution.

Other senior management referred to in the Articles of Association means the vice-president, secretary to the Board and the chief financial officer of the Company.

## **CHAPTER 2 OBJECTIVES AND SCOPE OF BUSINESS**

**Article 13** The objectives of the Company shall be: The Company adheres to the development philosophy of “A successful company has simply capitalized on the times we’re in” and innovative for change is our eternal keynote. “User value goes first” and “Everyone is his CEO” represent the core and value pursuit for the practice and innovation of “alliance of individual staff and the Company” management mode of the Company. It is the strategic vision and mission of the Company in the new strategic stage to build a sustainable business ecosystem centering smart family life as well as to provide smart and wonderful life with optimum experience for global users.

**Article 14** As approved by the company registration authority, the business scope of the Company shall be: researching, developing and manufacturing electric appliance, electronic products, machinery products, communication devices and relevant accessories, industrial automation controlling equipment, computer software and hardware and accessory equipment; technical advisory services for home appliance and electronic products; import and export business (conduct operations in accordance with the approved scope of Ministry of Foreign Trade and Economic Cooperation); digital technology, intelligent technology and software technology; technology development, technology consultation, technology transfer, technology service (including industrial internet and household electrical appliances products); data processing; development and service of application software; development and application research of advanced control and optimized technology; retail and wholesale; domestic commerce (except for the commodities forbidden by the state); mineral water manufacturing, catering, tourism services (only operated by the branches); enterprise management service and consultation, information technology service; (the approval of relevant authorities shall be obtained before the start of operation if such approval shall be obtained for certain projects).

## **CHAPTER 3 SHARES**

### **Section 1 Issuance of Shares**

**Article 15** The shares of the Company shall take the form of stock.

**Article 16** The Company shall maintain ordinary shares at all times. In accordance with the necessity, the shares issued by the Company are all ordinary shares. Subject to the approval of the department authorized by the State Council, the Company may set up other classes of shares.

**Article 17** The issuance of shares by the Company shall adhere to the principles of openness, fairness and impartialness, and each share in the same class shall carry the same rights. The various classes of shareholders of the Company shall have equal rights in any distribution made in the form of dividends or otherwise.

**Article 18** For the same class of shares issued in the same issuance, the issue terms and price shall be identical; each share subscribed by any units or individuals shall be paid by the same price.

**Article 19** Shares issued by the Company, including A Share, D Share and H Share, are all par value stock with par value per share of RMB1.

**Article 20** Subject to the registration or filing with the securities regulatory authority of the State Council, the Company may issue shares to domestic investors and overseas investors.

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

**Article 21** Shares issued by the Company to domestic investors and other qualified investors which are subscribed for in RMB shall be referred to as “domestic shares”. Shares issued by the Company to overseas investors and specific domestic investors that meet the relevant requirements of the securities regulatory authority of the State Council which are subscribed for in currencies recognized by the securities regulatory authority of the State Council and the securities regulatory authority of the place where the Company’s shares are listed shall be referred to as “foreign shares”. Foreign shares listed overseas shall be referred to as “overseas-listed foreign shares”. Shareholders holding domestic shares are called domestic shares shareholders. Shareholders holding foreign shares or foreign shares listed abroad are called foreign shares shareholders.

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

**Article 22** The domestic shares issued by the Company are registered in and under concentrated custody of China Securities Depository and Clearing Corporation Limited Shanghai Branch, the D share is registered in and under concentrated custody of Clearstream Banking AG, Frankfurt am Main; the H share issued by the Company are mainly held in custody by the Securities Registration and Clearing Company in Hong Kong, and may also be held by shareholders in their own names.



**Article 23** At the establishment of the Company, Qingdao Refrigerator General Factory (now is known as “Haier Group Company”) had shares of RMB91,024,500 by contribution in tangible assets, the credit union fund had shares of RMB7,294,500 by share conversion, other external entities had shares of RMB2,260,000 and staff and workers had individual shares of RMB1,904,000. To sum up, the total share capital of the Company was RMB102,483,000, with RMB500 per share and 204,966 shares in total. The time of contribution was 1989.

The capital structure of the Company is comprised of 9,438,114,893 ordinary shares in total, of which the domestic shareholders hold 6,308,552,654 shares (representing 66.84% of total number of ordinary shares issued by the Company) ; the shareholders of overseas-listed foreign shares (D Share) hold 271,013,973 shares (representing 2.87% of total number of ordinary shares issued by the Company); the shareholders of overseas-listed foreign shares (H Share) hold 2,858,548,266 shares (representing 30.29% of total number of ordinary shares issued by the Company).

**Article 24** The Company or its subsidiaries (including the subsidiaries of the Company) shall not provide any assistance in the form of gift, advance, guarantee, compensation or loan etc. to any person who purchases or proposes to purchase the shares of the Company.

## **Section 2 Share Increase and Decrease and Repurchase of Shares**

**Article 25** The Company may, upon resolution by a shareholders’ general meeting, adopt the following methods to increase its capital in accordance with its needs of business and development and pursuant to the provisions of laws and regulations:

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

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

**Article 26** In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital. The Company shall handle any reduction of its registered capital pursuant to the *Company Law*, listing rules of the place where the Company's shares are listed, other relevant provisions and the procedures stipulated in the Articles of Association.

**Article 27** The Company shall notify its creditors within 10 days from the date on which the resolution of the shareholders' general meeting on reduction of registered capital is passed and make an announcement on the newspaper or on the National Enterprise Credit Information Publicity System within 30 days. The creditors shall have the right to require the Company to repay the debts or to provide the corresponding guarantee within 30 days from the receipt of notification or within 45 days from the date of announcement if they do not receive notification.

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

**Article 28** The Company may, under any of the following circumstances, buy back its outstanding shares pursuant to the provisions of laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed and the Articles of Association:

- (1) reduction of its registered capital;
- (2) merger with other company which holds the shares of the Company;
- (3) the shares are to be used for employee share ownership plans or equity incentives;
- (4) a shareholder who objects to the resolution on the Company's merger or division passed by the shareholders' general meeting requests the Company to buy back his/her/its shares;
- (5) the shares are to be used to convert corporate bonds issued by the Company that can be converted to shares;
- (6) it is necessary for the Company to maintain corporate value and shareholders' equity;
- (7) any other circumstance permitted by laws and administrative regulations.

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

**Article 29** The Company may buy back its own shares by any of the following means:

- (1) making buy-back offers in the same proportion to all shareholders;
- (2) buying back through public trading at the stock exchange;
- (3) buying back by way of an agreement outside stock exchange;
- (4) any other method stipulated by laws and administrative regulations, listing rules of the place where the Company's shares are listed and that examined and recognised by the relevant competent authorities.

If the Company acquires the Company's shares in circumstances specified in Items (3), (5) and (6) of Article 28 of the Articles of Association, it shall be conducted by way of open and centralized trading.

**Article 30** After the Company has bought back its own shares according to law, it shall cancel or transfer such shares within the period prescribed by laws and administrative regulations and shall apply to the original company registration authority for registration of the change in registered capital in the case of cancellation. The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.

**Article 31** When the Company buys back its own shares due to any reason stipulated in Item (1) or Item (2) of the first paragraph of Article 28, a resolution adopted by shareholders' general meeting is required. Where the Company buys back its own shares pursuant to the provisions of Items (3), (5) and (6) of the first paragraph of Article 28 of the Articles of Association, it shall be resolved by a resolution of a meeting of Board of Director attended by more than two-thirds of the directors in accordance with the provisions of the Company's Articles of Association or the authorization of the shareholders' general meeting. In the event that the Company has acquired its Shares in accordance with the Item (1) of Article 28 and it falls under the circumstances set out in Item (1) thereof, the shares shall be cancelled within 10 days after the date of buyback; where it falls under the circumstances set out in Item (2) or Item (4) thereof, the shares shall be transferred or cancelled within 6 months, where it falls under the circumstances set out in Items (3), (5) and (6) thereof, the total number of shares of the Company held by the Company shall not exceed 10% of the total number of shares issued by the Company and shall be transferred or cancelled within three years. Where laws, regulations or the securities regulatory authority at the place where the Company's stocks are listed have other provisions on the relevant matters related to the aforementioned share repurchase, such provisions shall prevail.

### **Section 3 Transfer of Shares**

**Article 32** Except as otherwise provided by laws, regulations and the listing rules of the place where the company's stocks are listed, the shares of the Company may be transferred pursuant to laws and no liens attached. The specific manner of stock transfer shall be in accordance with relevant provisions of each place where the company is listed.

**Article 33** The Company does not accept its own shares as the collateral of pledge.

**Article 34** Shares issued prior to the public offering of shares by the Company shall not be transferred within 2 years from the day on which the shares are listed and traded on the stock exchange.

**Article 35** The directors, supervisors and senior management of the Company shall report to the Company their shareholdings in the Company and the changes thereof and shall not transfer in a given year during their terms of office more than 25% of the total number of shares of the Company which they hold; the shares of the Company held by them shall not be transferred within 1 year from the date when the shares of the Company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the Company held by him/her within half a year from his/her termination of the office. If the directors, supervisors and senior management of the Company hold no more than 1,000 shares, the above restriction of transfer percentage shall be inapplicable and all of their shares can be transferred at one time.

**Article 36** Where the directors, supervisors, senior management of the Company or shareholders who hold 5% or more of the Company's shares sell the shares or other securities in nature of equity held by them within 6 months from the date when they purchased such shares, or purchase the shares of the Company again within 6 months after they disposed, the proceeds thereof shall belong to the Company, and the Board of Directors of the Company shall forfeit such proceeds. However, the limitation shall not apply to a securities company who holds 5% or more of the Company's shares due to purchase of remaining shares under an underwriting arrangement, and other circumstances stipulated by CSRC.

The stocks or other securities of the nature of equity held by the directors, supervisors, senior managers or natural persons as mentioned in the above paragraph include the stocks or other securities of the nature of equity held by their spouses, parents or children and by using the accounts of others.

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

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

Directors, supervisors and senior managers of the Company who buy or sell securities of the Company shall abide by the laws and regulations, the regulations of the place where the Company's stocks are listed and the provisions of these articles of association.

#### **CHAPTER 4 CONVERTIBLE CORPORATE BONDS**

**Article 37** Subject to the conditions and procedures required by laws, administrative regulations and the securities regulatory rules of the place where the company's shares are listed, the Company may issue corporate bonds which can be converted into shares within a certain period of time pursuant to agreed conditions. When issuing convertible corporate bonds, the Company may either publicly issue such bonds to non-specific objects, or privately issue to specific objects.

**Article 38** The issuance, listing, conversion and relevant activities of convertible corporate bonds shall observe to the principles of openness, fairness, impartiality and good faith.

**Article 39** Convertible corporate bonds may, pursuant to law, be assigned, pledged and inherited.

**Article 40** Convertible corporate bonds issued by the Company may be applied for listing for transactions in the stock exchange where the shares of the Company are listed in accordance with the relevant provisions.

**Article 41** The terms of issuance scale, maturity, coupon rate, interest payment and payment date, conversion procedures, conversion price, redemption, resale and additional resale of convertible corporate bonds must strictly comply with the provisions of the convertible corporate bond prospectus and the implementation of the relevant laws, administrative regulations and the securities regulatory rules of the place where the company's stock is listed.

**Article 42** When shareholding structure of the Company has changed due to the conversion of convertible corporate bonds, the Company shall, pursuant to the provisions of relevant laws and administrative regulations, apply at Market Supervision and Regulation Department for registration of the change in registered capital.

**Article 43** During the duration of convertible corporate bonds, the Company may exercise its redemption right pursuant to agreed conditions, while the holders of convertible corporate bonds may exercise their sell-back right pursuant to agreed conditions.

**Article 44** The Company shall establish the register for holders of convertible corporate bonds pursuant to the documents issued by relevant registration authorities and duly register the names of such holders who have converted such bonds into the shares of the Company onto the list of the Company's shareholders pursuant to actual conversion situation.

**Article 45** The holders of convertible corporate bonds of the Company shall have the following rights:

- (1) Obtaining the agreed interests pursuant to the amount of the convertible corporate bonds held by them (if any);
- (2) Converting the convertible corporate bonds held by them into the shares of the Company pursuant to agreed conditions;
- (3) Exercising the selling-back right pursuant to agreed conditions;
- (4) Transferring, gifting or pledging the convertible corporate bonds held by them in accordance with the provisions prescribed by laws, administrative regulations and the Articles of Association;
- (5) Obtaining relevant information in accordance with the provisions of laws and the Articles of Association, including:
  - (a) obtaining the copies of the Article of Association after paying costs for making such copies;
  - (b) reviewing and copying the following documents after paying reasonable fees:
    - (i) materials about their holding of the convertible corporate bonds;
    - (ii) quarterly reports, interim reports and annual reports;
    - (iii) the total amount of the Company's current convertible corporate bonds, the amount of convertible corporate bonds which have been converted into shares of the Company and the shareholding structure of the Company.
- (6) Requesting the Company to pay the principals and interests of the convertible corporate bonds at maturity;
- (7) Other rights as the creditors of the Company conferred by laws, administrative regulations and the Articles of Association.

**Article 46** Any holder of convertible corporate bonds who requests to review the relevant information or materials set out in the preceding article shall provide written documents to the Company to prove the amount of the Company's convertible corporate bonds held by him/her/it. The Company shall provide the information or materials requested by such bondholder upon such supporting documents are verified.

**Article 47** The holders of convertible corporate bonds shall observe the following obligations:

- (1) complying with relevant terms of convertible corporate bonds being issued by the Company;
- (2) making payment for the subscribed amount of convertible corporate bonds or other consideration;
- (3) not requesting the Company to pay principals and interests of convertible corporate bonds in advance, unless under circumstances otherwise stipulated by laws, regulations and agreed in the prospectus of convertible corporate bonds;
- (4) bearing the related taxes and fees that should be borne by the Company in accordance with the laws, regulations and convertible corporate bond prospectus due to the conversion of shares and interest collection;
- (5) other obligations that shall be observed by the holders of convertible corporate bonds stipulated by laws, administrative regulations and the Articles of Association or agreed by the prospectus for the convertible company's bonds.

**Article 48** The Company shall exercise its rights such as right to redeem and right to adjust price pursuant to the provisions of the issuance terms of convertible corporate bonds, and duly perform its obligations such as information disclosure, interest payment, adjustment of conversion price, maintain the holder of convertible corporate bonds and repayment of principals and interests upon maturity in a timely manner, etc.

## **CHAPTER 5 SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING**

### **Section 1 Shareholders**

**Article 49** The Company's shares shall be in registered form.

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

**Article 50** The share certificates shall be signed by the Chairman of the Board of Directors. Where the signatures of other senior management of the Company are required by the securities exchange(s) on which the Company's shares are listed, the share certificates shall also be signed by such other senior management. The share certificates shall become effective after the Company's seal is affixed thereto or printed thereon. The authorization of the board of directors shall be required when the Company's seal is affixed to the share certificates. The signature of the Chairman or other relevant senior management of the Company may also be reproduced on the certificate in form of printing. Under the circumstances that the shares of the Company are issued and traded in the paperless form, the provisions stipulated by the securities regulatory authority and the securities exchange(s) on which the Company's shares are listed shall apply. The Company shall keep a register of shareholders, which should contain the following particulars:

- (1) the name or title and address of each shareholder;
- (2) the type and number of shares subscribed by each shareholder;
- (3) if shares are issued in paper form, the serial numbers of the share certificate (if any);
- (4) the date of acquisition of shares by each shareholder.

The shareholders recorded in the register of shareholders may, pursuant to the register of shareholders, claim and exercise shareholders' rights.

Subject to the Articles of Association and other relevant provisions, immediately after the transfer of the Company's shares, the name as appeared on the instrument of share transfer shall be entered into the register of members as the holder of such shares.

The transfer and transmission of shares shall be entered into the register of members.

For the holders of the company's overseas listed foreign capital shares listed in Hong Kong, when two or more persons are registered as joint holders of any shares, they shall be deemed to be joint owners of such shares and subject to the following terms:

- (1) the Company does not need to register more than four persons as joint holders of any shares;
- (2) The joint holders of any shares shall jointly and severally assume the liability to pay for all the amounts payable for the relevant shares;



- (3) In case one of the joint holders has deceased, only the surviving joint holders shall be deemed by the Company to be the persons having ownership of the relevant shares. But the board of directors shall have the right, for the purpose of making amendments to the register of members, to demand evidence of death of such shareholder where it deems appropriate;
- (4) For joint shareholders of any shares, only the joint shareholders who rank first on the register of shareholders have the right to receive shares of the relevant shares from the Company and receive notice from the Company, and any notice served on the above persons shall be deemed to have been served on all joint holders of the relevant shares. Any joint shareholder can sign the proxy form, but if there are more than one joint shareholder present in person or by proxy, the vote made by the joint shareholder with higher priority, whether made in person or by a representative, must be accepted to represent the sole vote of the remaining joint shareholders. In this regard, the priority of shareholders must be based on the ranking of joint shareholders in the Company's register of shareholders in relation to the relevant shares; and
- (5) If any of the joint shareholders shall send the company receipts for any dividends, bonuses or capital returns payable to the joint shareholders, they shall be regarded as valid receipts issued by the joint shareholders to the company.

**Article 51** The Company may, pursuant to any understanding or agreement reached between the CSRC and overseas securities regulatory authority, keep outside the People's Republic of China the register of shareholders of foreign shares, and entrust the administration thereof to an overseas agent. Hong Kong is the place where the original register of shareholders of foreign capital stocks listed abroad is kept.

The Company shall keep at its domicile a duplicate of the register of shareholders of foreign shares. The entrusted agent outside the People's Republic of China shall ensure that the register of shareholders of foreign shares and its duplicate are consistent at all times.

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

The Hong Kong branch register of shareholders must be available for inspection by shareholders, however, the Company is allowed to close the register of members on terms equivalent to section 632 of the Companies Ordinance (Cap. 622 of the Laws in Hong Kong).

**Article 52** The Company shall keep a complete register of shareholders.

The register of shareholders shall include the following parts:

- (1) the register of shareholders kept at the Company's domicile other than those provided for under Items (2) and (3) of this Article;
- (2) the register(s) of shareholders of foreign shares kept in the place(s) of the stock exchange(s) outside the People's Republic of China on which the shares are listed;
- (3) registers of shareholders kept in such other places as the Board of Directors may consider necessary for purpose of listing of the Company's shares.

**Article 53** The various parts of the register of shareholders shall not overlap with one another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the existence of the registration of such shares, be registered in any other part of the register of shareholders.

All H Shares listed in Hong Kong with fully paid stock capital may be transferred freely, but the Board may reject any transfer deeds without giving any reason, unless the following conditions are satisfied:

- (1) transfer documents and other documents that are related to any share ownership or may affect such share ownership shall be registered and fees and charges regarding registration as specified in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited shall be paid to the Company, but such fees and charges shall not exceed the maximum fees set by the Hong Kong Stock Exchange from time to time in its Listing Rules;
- (2) transfer documents only involve H Shares;
- (3) the stamp duty has been paid for transfer documents;
- (4) relevant stocks, as well as the evidence reasonably required by the board of directors certifying that the transferor has the right to transfer the shares, shall be provided;
- (5) if shares are to be transferred to joint holders, the number of shareholders jointly registered shall not exceed four (4);
- (6) no corporate lien is attached to relevant shares.

If the Company refuses to register the shares transfer, the Company shall send a notice concerning refusal to register such shares transfer to the transferor and the transferee within two months from the date on which the transfer application is officially filed.

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

All transfers of overseas listed foreign shares listed in Hong Kong should be in the general or ordinary format or any other format in writing accepted by the board of directors (including the standard transfer format or transfer form prescribed by the Hong Kong Stock Exchange from time to time); It is possible to sign the transfer document by hand only, or (if the transferor or transferee is the Company) to stamp the Company's seal. If the transferor or transferee is an accredited clearing house (hereinafter referred to as "approved clearing house") or its agent as defined in the relevant regulations in force from time to time in accordance with the laws of Hong Kong, the transfer form may be signed by machine printing.

All instruments of transfer shall be kept at the legal address of the Company, the address of the transfer registration or at such address the board of directors shall designate from time to time.

**Article 54** Where Chinese laws and regulations, the relevant regulatory authorities of the place where the Company's stocks are listed and the stock exchanges have provisions on the period during which the share transfer registration procedures are suspended before the shareholders' meeting or before the benchmark date for the Company to decide on dividend distribution, such provisions shall prevail.

The period of closure of the register of members as described above shall not be more than thirty days in total within one year and it may be extended by another thirty days after being considered and approved at the shareholders' general meeting.

**Article 55** Any person at the place where the shares are listed who challenges the register of shareholders and requires his/her/its name (title) to be entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for such rectification to the register of shareholders.

**Article 56** Any shareholder who is registered in the register of shareholders or any person who requires his/her/its name (title) to be entered into the register of shareholders may apply to the Company for issuance of a replacement certificate in respect of his/her/its shares (hereinafter referred to as the "Relevant Shares") if such relevant share certificate (hereinafter referred to as the "Original Share Certificate") has been lost.

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

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

**Article 57** In the event a shareholder of foreign shares apply for replacement of share certificates after such share certificates are stolen, lost or destroyed, such replacement shall comply with the following requirements:

- (1) the applicant shall submit the application in the form prescribed by the Company accompanied with a notarized certificate or statutory declaration attached. The notarized certificate or statutory declaration shall include the applicant's reason for the application, the circumstances and proof of the share certificates being stolen, lost or destroyed and a declaration that no other person may claim to be registered as shareholder in respect of the relevant shares.
- (2) the Company does not receive any claim for being registered as a shareholder in respect of the shares from any person other than the applicant before the Company decides to issue a replacement share certificate.
- (3) if the Company decides to issue a replacement share certificate to the applicant, it shall publish a public announcement of its intention issue such replacement share certificate in newspapers or periodicals designated by the Board of Directors; the period of the public announcement shall be 90 days, during which such announcement shall be published repeatedly at least once every 30 days.
- (4) before publishing an public announcement of its intention to issue a replacement share certificate, the Company shall submit a duplicate of the announcement to be published to the securities exchange on which its shares are listed; the Company may proceed with publication upon receipt of a reply from the securities exchange confirming that the announcement has been displayed in the securities exchange. The public announcement shall be displayed in the securities exchange for a period of 90 days. If the application for issuance of a replacement share certificate was made without consent of the registered holder of the relevant shares, the Company shall mail thereto the copies of the public announcement to be published.
- (5) upon the expiration of the 90-day period provided for in Items (3) and (4) of this Article, if the Company has not received any objection to the issuance of a replacement share certificate from any person, it may issue a replacement share certificate according to the application filed by the applicant.
- (6) when the Company issues a replacement share certificate in accordance with this Article, it shall immediately cancel the original share certificate and record such cancellation and the issuance of the replacement share certificate in the register of shareholders.

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

**Article 58** After the Company has issued a replacement share certificate in accordance with this Articles of Association, it shall not remove from the register of shareholders the name (title) of any bona fide purchaser of such replacement share certificate or of a shareholder that is subsequently registered as the owner of the shares (provided that he/she/it is a bona fide purchaser).

**Article 59** The Company shall not be liable for any damages suffered by any person resulting from the cancellation of the original share certificate or the issuance of replacement share certificate, unless such person can prove that the Company has committed a fraudulent act.

**Article 60** The Company's shareholders are persons who lawfully hold shares of the Company and whose names (title) are entered in the register of shareholders. Shareholders shall enjoy the rights and undertake obligations in accordance with the class of shares held thereby. Shareholders holding the same kind of shares shall enjoy the same rights and bear the same obligations.

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

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

**Article 61** The ordinary shareholders of the Company shall be entitled to the following rights:

- (1) obtaining dividends and any other form of profit distribution based on the number of shares held by them;
- (2) requiring, convening, chairing, attending or appointing a proxy to attend a shareholders' general meeting pursuant to the law, speaking and exercising the corresponding voting rights;
- (3) supervising the Company's business operations, proposing recommendations or raising questions;

- (4) transferring, donating or pledging shares held by them pursuant to laws, administrative regulations and provisions of the securities regulatory authority at the place where the shares of the Company are listed and the Articles of Association;
- (5) inspecting the Articles of Association, register of shareholders, counterfoils of corporate bonds, minutes of shareholders' meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors, and audited financial and accounting reports;
- (6) upon termination or liquidation of the Company, participating in the distribution of the Company's residual assets based on their shareholding;
- (7) shareholders who objects to the resolution on merger or division of the Company passed by a shareholders' general meeting may request the Company to acquire his/her/its shares;
- (8) any other rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

**Article 62** A shareholder who requests for inspection of the relevant information or materials set out in the preceding Article shall provide the Company with written documents evidencing the class and quantity of the Company's shares held by him/her/it, and the Company shall provide the information or materials requested by the shareholder upon verification of his/her/its identity.

When an application for reviewing the register of members is received during the closure of the register of members, a document signed by the secretary of the Company shall be issued to the applicant, explaining the approving institute and the period of the closure of the register of members.

**Article 63** Where the contents of a resolution of shareholders' general meeting or the Board of Directors violate any law or administrative regulation, shareholders are entitled to petition to the competent people's court to declare the resolution invalid.

**Article 64** Where the convening procedures or voting method of a shareholders' general meeting or a board meeting violate any laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, a shareholder shall have the right to apply to the people's court for revocation within 60 days from passing of such resolution. However, a shareholder shall have no right to do so if only minor flaws exist in the convening procedures or voting method of a shareholders' general meeting or a board meeting, which have no material impact on the resolution. Shareholders who have not been notified to attend the shareholders' general meeting may apply to the people's court for revocation within sixty days from the date they knew or should have known of the passing of the resolution of the shareholders' general meeting; if the right to revoke is not exercised within one year from the date the resolution is made, the right to revoke shall be extinguished.

**Article 65** Where the directors or senior management violate the provisions of laws, administrative regulations or the Articles of Association during the performance of their duties and cause losses to the Company, the shareholders who individually or collectively hold 1% or more of the Company's shares for a consecutive period of 180 consecutive days or longer are entitled to request to the Board of Supervisors to file a lawsuit with people's court in writing; where the Supervisors violates the provisions of laws, administrative regulations or the Articles of Association in the performance of their duties and cause losses to the Company, shareholders may request to the Board of Directors to file a lawsuit with people's court in writing.

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

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

**Article 66** Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association and causes damages to shareholders, the shareholders may file lawsuit with competent people's court.

**Article 67** The shareholders of the Company's ordinary shares shall undertake the following obligations:

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

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

**Article 68** Where a shareholder who holds 5% or more of the Company's shares that are with voting rights pledges his/her/its shares, he/she/it shall submit a written report to the Company on the date of occurrence of the said event.

**Article 69** The controlling shareholder or the de facto controller of the Company shall not make use of such connected relationship to act in detriment of the Company's interests. Those who violate the provisions and cause losses to the Company shall be subject to compensation liability.

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



**Article 70** In addition to the obligations imposed by laws, administrative regulations or required by the listing rules of the securities exchange(s) on which the shares of the Company are listed, the controlling shareholder shall not, in exercising the shareholders' powers, make decisions prejudicial to the interests of all or part of the shareholders as a result of the exercise of its voting rights on following matters:

- (1) relieving a director or supervisor of his/her/its responsibility to act honestly in the best interest of the Company;
- (2) approving a director or supervisor (for his own benefit or for the benefit of another person) to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company;
- (3) approving a director or supervisor (for his own benefit or for the benefit of another person) to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, but exclude the restructuring of the Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

**Article 71** For the purposes of the preceding article, the term "controlling shareholder" is a person that satisfies any of the following conditions:

- (1) a person who, acting alone or in concert with others, has the power to elect more than half number of the directors;
- (2) a person who, acting alone or in concert with others, has the power to exercise or control the exercise of 30% or more of the Company's voting rights;
- (3) a person who, acting alone or in concert with others, holds 30% or more of the issued and outstanding shares of the Company;
- (4) a person who, acting alone or in concert with others, has de facto control of the Company in any other manner;
- (5) a person that is defined as "controlling shareholder" under the listing rules of the place where the Company's shares are listed.

## **Section 2 General Rules for the Shareholder's General Meeting**

**Article 72** The shareholders' general meeting is the organ of authority of the Company, and shall exercise following functions and powers pursuant to the law:

- (1) to determine the Company's operating principles and investment plans;
- (2) to elect and replace of directors and supervisors who are not represented by employee representatives, and deciding on the remuneration matters of the relevant directors and supervisors;

- (3) to deliberate on and approve reports of the Board of Directors;
- (4) to deliberate on and approve report of the Board of Supervisors;
- (5) to deliberate on and approve the Company's annual financial budget plan and final account plan;
- (6) to deliberate on and approve the Company's profit distribution plan and make up the loss plan;
- (7) to make resolutions on increase or decrease of registered capital of the Company;
- (8) to make resolutions on issuance of stocks, convertible corporate bonds and corporate bonds;
- (9) to make resolutions on the merger, division, splits, dissolution, liquidation or change of the Company's corporate form;
- (10) to amend the Articles of Association and deliberate proposals put forward by shareholders who individually or collectively hold more than 1% of the Company's shares;
- (11) to make resolutions on hiring and dismissing of accounting firms which regularly perform statutory audit for the Company's financial statements;
- (12) to deliberate on and approve the following guarantees:
  1. to provide any other guarantee under the situation where the total amount of external guarantees provided by the Company and its controlling subsidiaries exceeds 50% of the audited net assets of the Company in the latest period;
  2. to provide any guarantee under the situation where the total amount of external guarantees provided by the Company and its controlling subsidiaries exceeding 30% of the Company's audited total assets in the latest period;
  3. the amount of guarantees calculated on an accumulative basis over a period of 12 consecutive months exceeds 30% of the Company's latest audited total assets;
  4. guarantee offered to person whose gearing ratio has exceed 70%;
  5. a single guarantee with an amount exceeding 10% of the Company's latest audited net assets;

6. guarantees provided to shareholders, de facto controllers and their related parties;
7. other security situations that need to be submitted to the shareholders' meeting for approval in accordance with the relevant provisions of the stock exchange and these Articles of Association.

(13) to deliberate on and approve the following financial assistance:

1. the amount of a single financial assistance exceeding 10% of the Company's audited net assets in the latest period;
2. the gearing ratio of the companies for which the assistance is provided exceeding 70% as shown in their latest financial statements;
3. the cumulative amount of financial assistance in recent 12 months exceeding 10% of the Company's audited net assets in the latest period;
4. Other financial assistance situations that need to be submitted to the shareholders' general meeting for approval in accordance with the relevant provisions of the stock exchange and these Articles of Association.

If the assistance subject is the controlling subsidiary included in the consolidated statements of the Company and that the other shareholders of that controlling subsidiary do not include the controlling shareholders, de facto controllers and their related parties of the Company, it may be exempted from the requirements under Items 1 to 4 of Rule (13) of this Article.

The Company shall not provide financial assistance to connected parties stipulated under the Rules Governing the Listing of Stock on the Shanghai Stock Exchange, except for the assistance provided to connected joint-stock companies not under the control of the Company's controlling shareholders and de facto controllers, and that the other shareholders of such joint-stock companies provide financial assistance on equal terms and in proportion to their capital contributions. The Company must submit a resolution at the general meeting for consideration when providing financial assistance to such joint-stock companies.

(14) to deliberate matters regarding the purchase or sales of material assets by the Company that within one year exceed 30% of the Company's total audited assets in the latest period;

(15) to deliberate on, approve and alter matters regarding the use of raised funds;

(16) to deliberate on share incentive plans and employee stock ownership plan;

- (17) to deliberate on related transactions that are required to be reviewed by shareholders' general meetings in accordance with law;
- (18) to deliberate on public welfare or relief contributions that exceeds the accumulative amount of RMB50 million in a single year;
- (19) to authorize the Board of Directors to issue shares subject to compliance with relevant laws and regulations;
- (20) to deliberate on any other matter to be decided by the shareholders' general meeting as stipulated by laws, administrative regulations, department regulations, the listing rules of the place where the securities are listed or the Articles of Association.

**Article 73** Shareholders' general meetings comprise annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year and shall be held within 6 months after the end of the preceding accounting year.

**Article 74** Under any of the following circumstances, the Company shall convene an extraordinary general meeting within 2 months after occurrence of the relevant event:

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

**Article 75** The venue for shareholders' general meetings of the Company shall be: Haier Industrial Park or Haier Information Industry Park, Laoshan District, Qingdao, or any other venue determined by the Board of Directors in accordance with the practical situation and stated in the notice of the shareholders' general meeting.

Meeting premises shall be set up for shareholders' general meeting to be held in the form of an on-site meeting. The Company shall also, in accordance with laws, administrative regulations, the securities regulatory authority and the stock exchange where the Company's shares are listed and the provisions of the Articles of Association, facilitate the participation of shareholders in the general meeting by safe, economical and convenient network means (where technically feasible) and other means. Shareholders participating in the shareholders' general meeting by the aforesaid methods shall be deemed present at the meeting.

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

- (1) whether the procedures for convening the meeting comply with the provisions of laws, administrative regulations and the Articles of Association;
- (2) whether the qualifications of the persons attending the meeting and the convener are legitimate and valid;
- (3) whether the voting procedures and voting results of the meeting are legitimate and valid;
- (4) legal opinions with respect to other relevant issues as required by the Company.

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

### **Section 3 Convening of Shareholders' General Meeting**

**Article 76** Independent directors are entitled to propose to the Board of Directors on convening of an extraordinary general meeting. Where independent directors propose to convene an extraordinary general meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations and the Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

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

**Article 77** The Board of Supervisors is entitled to propose to the Board of Directors to convene an extraordinary general meeting and such proposal shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, reply in writing on whether or not to agree on the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

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

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

**Article 78** Shareholders requesting the convening of an extraordinary shareholders' general meeting or a class shareholders' meeting shall proceed in accordance with the procedures set forth below:

- (1) Two or more shareholders who hold, in aggregate, 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the Board of Directors to convene an extraordinary general meeting or a class meeting of shareholders. The agenda of the proposed meeting shall be stated therein. The Board of Directors shall convene an extraordinary general meeting or a class meeting of shareholders as soon as possible upon the receipt of the said written request. The number of the aforesaid shares shall be calculated as of the date on which the requisition(s) is/are made.
- (2) Where the Board of Directors gives consent to convening of an extraordinary general meeting, a notice on convening of the extraordinary general meeting or the class meetings of shareholders shall be issued within 5 days from such decision, and the changes made to the original proposal in the notice shall be approved by relevant shareholders.
- (3) Where the Board of Directors does not give consent to convene the extraordinary general meeting or does not issue a feedback within 10 days upon the receipt of the requisition, the shareholders holding 10% or more of the Company's shares separately or in aggregate shall have the right to propose to the Board of Supervisors on convening of an extraordinary general meeting and such proposal shall be made to the Board of Supervisors in writing.

**Article 79** Where the Board of Supervisors gives consent to convene an extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days upon the receipt of the requisition and the changes made to the original request in the notice shall be approved by relevant shareholders.

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

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

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

**Article 80** If the general meeting is convened by the Board of Supervisors or shareholders on their own, a written notice shall be issued to the Board of Directors, and such meeting should be filed with the Stock Exchange where the Company's stocks are listed.

Prior to the announcement of the resolutions passed by the shareholders' general meeting, the shareholding percentage of the shareholders who convene the meeting shall not be less than 10%. Shareholders who convene the meeting shall publish an announcement no later than the issuance of notice of the shareholders' general meeting and undertake that their shareholding percentage shall not be less than 10% during the period from the date of proposing the convening of the shareholders' general meeting to the convening date of the shareholders' general meeting.

The Board of Supervisors or shareholders who convene the meeting shall submit the relevant supporting materials to the Stock Exchange where the Company's stocks are listed at the time of the issuance of notice of the shareholders' general meeting as well as of the announcement of the resolutions passed by the such meeting.

**Article 81** Where the Board of Supervisors or the shareholders convene a shareholders' general meeting on their own, the Board of Directors and the secretary of the Board of Directors shall cooperate. The Board of Directors will provide the register of shareholders as of the date of share registered.

**Article 82** Where the Board of Supervisors convene a shareholders' general meeting on their own, the necessary expenses incurred thereof shall be borne by the Company, which shall be deducted from the sums owed by the Company to the negligent directors.

#### **Section 4 Proposal and Notification of Shareholders' General Meeting**

**Article 83** The contents of the proposals shall fall within the terms of reference of a shareholders' general meeting; such proposals shall contain specific agenda items and specific resolution matters, and be comply with laws, administrative regulations and relevant provisions of the Articles of Association.

**Article 84** When the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of Supervisors and shareholders that severally or jointly holding 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders that individually or jointly hold more than 1% of the Company's shares may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. Where shareholders subject to the conditions as mentioned above raise interim proposals before the convening of the shareholders' general meeting, their shareholding proportions shall not be less than 1% during the period from the date of the issuance of notice on proposals to the announcement of the resolutions. Where shareholders raise interim proposals, they shall provide the convener with proof of holding more than 1% of the shares of the listed company. Where shareholders jointly submit a proposal through entrustment, the entrusting shareholder shall issue a written authorization document to the entrusted shareholder. The convener shall, within 2 days after the receipt of such proposal, issue a supplemental notice of the shareholders' general meeting and announce the contents of the ad hoc proposals.

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

Where the disclosure content of the proposal needs to be supplemented or corrected in accordance with regulations, the convener shall not substantively modify the proposal, and shall issue relevant supplementary or corrective announcements within the prescribed time. The legal opinion on the resolution of the shareholders' general meeting shall include definite opinions from the lawyer on whether the supplements and corrections to the disclosure content of the proposal constitute substantive modifications to the proposal.

Where the proposal is substantially modified, the relevant changes shall be regarded as a new proposal and shall not be voted on at this shareholders' general meeting.



If a notice of shareholders' general meeting does not specify the proposed resolutions or such proposed resolutions do not comply with Article 83 of the Rules herein, No voting or resolution shall be effected or adopted shall be carried out at the general meeting.

**Article 85** When the Company decides to convene an annual general meeting, it shall issue written notice 20 days prior to the meeting; and when the Company decides to convene an extraordinary general meeting, it shall issue written notice 15 days prior to the meeting, informing all registered shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting. When calculating the time limits, the date on which such meeting is convened shall not be calculated.

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

The public announcement referred to in the preceding paragraph that shall be published on the website of the stock exchange and in media meeting the conditions prescribed by the securities regulatory authority under the State Council. Once the announcement is made, all shareholders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

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

**Article 86** At extraordinary general meetings, matters not specified in the notice may not be deliberated on.

**Article 87** The notice of the shareholders' general meeting shall be made in written form (including paper documents and electronic documents conforming to the requirements of the place of listing of the Company's shares), and shall include the following contents:

- (1) the date, venue and time of the meeting;
- (2) the matters and proposals to be discussed at the meeting;
- (3) containing an explicit statement that all ordinary shareholders (including preference shareholders with restored voting rights) are entitled to attend and vote in the shareholders' general meeting; and can appoint proxies to attend and vote on their behalf in the meeting; and that the proxy or proxies need not be shareholder of the Company;

- (4) the date of record to determine shareholders who have the right to attend the shareholders' general meeting;
- (5) the name and telephone number of the contact person for meetings;
- (6) the voting time and procedures for online or other methods;
- (7) if an proposal taking effect is conditional upon other proposals become effective, it shall explicitly disclose the relevant preconditions in the notice of the shareholders' general meeting and shall give special reminders that the approval of such proposal is the precondition to the voting results of subsequent proposals taking effect.

The notice and supplementary notice of a shareholders' general meeting shall disclose the specific contents of all proposals fully and completely. The convener shall disclose other necessitate information 5 days prior to the convening of the shareholders' general meeting to enable the shareholders to make reasonable decisions on the matters proposed to be discussed. Where relevant proposals require independent directors, the Board of Supervisors and intermediary institutions to issue opinions, such opinions shall be disclosed as part of materials of the meeting. For matters which require the independent directors to issue an opinion, the notice or supplementary notice of the shareholders' general meeting shall disclose the opinions of the independent directors and the reason thereof.

Online or other voting methods for a shareholders' general meeting shall not commence earlier than 3:00 p.m. on the day preceding the date of the on-site shareholders' general meeting, and no later than 9:30 a.m. on the date of the on-site shareholders' general meeting; and shall not end before 3:00 p.m. of the date of the on-site shareholders' general meeting.

**Article 88** The interval between the date of record and the date of meeting shall be not more than 7 working days. Once determined, the date of record shall not be changed.

**Article 89** Where a shareholders' general meeting proposes to discuss election matters of directors and supervisors, the notice of the shareholders' general meeting shall fully disclose the detailed information of the proposed candidates for directors and supervisors, which shall at least include the following contents:

- (1) personal information such as educational background, work experience and occupation information, etc.;
- (2) whether he/she/it is related to the Company or the Company's controlling shareholder and de facto controller;
- (3) disclosure of the number of shares of the Company held by him/her/it;

- (4) whether the candidate has been punished by the CSRC, other relevant authorities and the stock exchange;
- (5) Information required to be disclosed under the *Hong Kong Listing Rules* concerning newly appointed, re-elected or transferred directors or supervisors.

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

**Article 90** Once the notice of a shareholders' general meeting is issued, the shareholders' general meeting shall not be postponed or cancelled without a proper reason, and the proposals set out in the notice of the shareholders' general meeting shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement at least 2 transaction days before the original date of meeting and state the reason thereof.

### **Section 5 Convening of Shareholders' General Meeting**

**Article 91** The Board of Directors of the Company and other conveners will adopt requisite measures to ensure normal order of a shareholders' general meeting. Measures shall be adopted to stop any disruption of the shareholders' general meeting or trouble-making as well as infringement of the legitimate rights and interests of shareholders, and the matter shall be promptly reported to the relevant authorities.

**Article 92** All shareholders in the register as at the date of record or their proxies shall have the right to attend a shareholders' general meeting and exercise voting rights pursuant to relevant laws, regulations and the Articles of Association.

When the resolution of their proposed appointments is tabled for consideration at the shareholders' general meeting, the Board meeting or the employee representatives' assembly or other authorized institutions, the candidates for directors, supervisors and senior management should be present at the meetings in person and provide explanation on their capabilities of performance, professional capability, past experience, any violations of laws and regulations, any conflict of interest with the Company, and their relationship with the controlling shareholders, de facto controllers and other directors, supervisors and senior management of the Company, etc.

**Article 93** Shareholders may attend the shareholders' general meeting in person or appoint proxy to attend the meeting and exercise his/her/its voting rights on his/her/its behalf. Any shareholder entitled to attend and vote at the general' meeting shall have the right to appoint one or more persons (who may not be a shareholder) as his shareholder proxy to attend and vote on his behalf.

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

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

If the shareholder is an approved clearing house (or its agent) as defined in the relevant laws and regulations of Hong Kong, the shareholder may authorize one or more persons as deemed appropriate to represent it at any general meeting of shareholders or any type of meeting of shareholders; However, if more than one person is authorized, the power of attorney shall state the number and type of shares involved in each such person's authorization. The authorization letter is signed by the authorized personnel of the recognized clearing house. A person authorized by this can represent the recognized clearing house (or its agent) to attend a meeting (without the need to present shareholding certificates, notarized authorization and/or further evidence to confirm formal authorization) to exercise rights, as if the person was an individual shareholder of the Company.

**Article 94** Where the entrusting party has deceased, lost capacity, revoked the proxy or the signed instrument of appointment prior to the voting, or the relevant shares have been transferred prior to the voting, the vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of the event before the commencement of the relevant meeting.

**Article 95** Where an individual shareholder attends the meeting in person, he/she/it shall present his/her/its identity document or any other valid credential which can prove his/her/its identity and share account card; where an individual shareholder appoints a proxy to attend the meeting, the proxy shall present his/her/its valid identity document and the proxy form executed by the shareholder.

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

**Article 96** The proxy form issued by the shareholders appointing a proxy to attend the shareholders' general meeting, shall include the following:

- (1) name of the proxy;
- (2) whether the proxy has voting rights;
- (3) the instructions on voting for, against or abstention of each agenda item of the shareholders' general meeting;
- (4) date of issuance of the proxy form and the validity period;
- (5) signature (or affixation of seal) by the entrusting party.

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

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

**Article 97** An instrument appointing a voting proxy shall be placed at the domicile of the Company or another place specified in the notice of the meeting at least 24 hours prior to the commencement of the meeting in question or 24 hours prior to the scheduled time for voting.

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

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

**Article 98** The records for persons attending the meeting shall be prepared by the Company. The attendance records shall specify the name of the persons (or organizations) attending the meeting, identity number, address, the number of shares with voting rights held or represented and the name of the person (or organization) being represented etc.

**Article 99** The convener and the lawyer engaged by the Company shall jointly verify the legitimacy of shareholders' qualifications based on the register of shareholders provided by the securities registration and clearing organization and register the name (or title) of shareholders and the number of shares with voting rights held by them. Registration for the meeting shall end before the host person of the meeting announces the number of shareholders and proxies present at the meeting and the total number of shares with voting rights held by them.

**Article 100** When the Company convenes a shareholders' general meeting, all directors, supervisors and the secretary of the Board of Directors shall attend the meeting, while the president and other senior management shall be present at the meeting.

**Article 101** The shareholders' general meetings shall be presided over by the Chairman of the Board. Where the Chairman is unable or fails to perform his/her/its duties, the deputy Chairman (if there are two or more deputy chairmen, the deputy Chairman nominated by more than half of the directors) shall preside over the meetings; where the deputy Chairman is unable or fails to perform his/her/its duties, a director nominated by more than half of the directors shall preside over the meetings.

If the board of directors is unable or fails to fulfill the obligation of convening the shareholders' general meetings, the Board of Supervisors shall convene and preside over such meetings in a timely manner. If the Board of Supervisors does not convene or preside over such meetings, the shareholders individually or jointly holding 1/10 or more of the shares of the Company for over ninety (90) consecutive days may convene and preside over such meetings on their own initiative.

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

In the case of a shareholders' general meeting convened by shareholders on their own initiative, the convener shall appoint a representative to preside over the meeting. If for any reason the shareholders are unable to elect a Chairman, the shareholder holding the largest number of voting shares who attends the meeting (including proxy thereof) shall preside over the meeting.

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

**Article 102** The Company shall formulate the rules of procedure for its shareholders' general meetings and set out the convening and voting procedures of shareholders' general meetings in detail, including the notice, registration, deliberation of proposals, voting, calculation of votes, announcement of voting results, formation of meeting resolutions, minutes and the signing thereof and announcement, as well as the principle for authorizations granted by shareholders' general meetings to the Board of Directors, of which the content should be clear and specific. The rules of procedure for shareholders' general meetings, which are drafted by the Board of Directors and approved by a shareholders' general meeting, shall be appendix of the Articles of Association.

**Article 103** At an annual general meeting, the Board of Directors and the Board of Supervisors shall report to the shareholders' general meeting on the work carried out in the past year. Each independent director shall also give his/her work report.

**Article 104** The directors, supervisors and senior management shall provide explanations and clarification to the inquiries and suggestions raised by shareholders at a shareholders' general meeting.

**Article 105** Prior to voting, the Chairman of the meeting shall announce the number of shareholders and proxies present at the meeting and the total number of shares with voting rights held by them, all of which shall be based on the registration for the meeting.

**Article 106** The shareholders' general meetings shall have minutes recorded by the secretary of the Board of Directors. The meeting minutes shall specify the following contents:

- (1) time, venue, agenda of meeting and name or title of the convener;
- (2) name of the Chairman of meeting and directors, supervisors, presidents and other senior management present or in attendance at the meeting;
- (3) the number of shareholders and proxies present at the meeting, the total number of voting shares held by them and the shareholding proportion of the Company's total number of shares; the number of voting shares held and percentage of such shares with respect to the Company's total shares, held respectively by the holders of tradable shares (including their proxies) and the holders of non-tradable shares (including their proxies) attending the shareholders' meeting;
- (4) deliberation process, key points of speech and voting result for each proposal, including the voting results of each proposal; including the votes on each resolution by holders of tradable shares and holders of non-tradable shares;
- (5) questions and suggestions raised by shareholders and the corresponding replies and explanations;

- (6) names of lawyer, counting agent and scrutineer;
- (7) any other contents to be included in the minutes as stipulated by the Articles of Association.

**Article 107** The convener shall ensure the truthfulness, accuracy and completeness of the contents of the minutes. The directors, supervisors, secretary of the Board of Directors, the convener or their representatives present at the meeting and the Chairman of the meeting shall affix their signatures on the minutes. The minutes shall be kept together with the attendance records of the shareholders present at the meeting, the proxy forms of each proxy and other valid materials on voting results for online and other voting methods for not less than 10 years.

**Article 108** The convener shall ensure that the shareholders' general meeting is held continuously until the final resolution is formed. In the event that a shareholders' general meeting is suspended or unable to pass resolutions under special circumstances such as force majeure, requisite measures shall be adopted to resume the shareholders' general meeting as soon as possible or to terminate the shareholders' general meeting and promptly make an announcement. At the same time, the convener shall report to the CSRC Qingdao Branch and the Stock Exchange where the Company's stocks are listed.

#### **Section 6 Votes and Resolutions of Shareholders' General Meeting**

**Article 109** Shareholders (including their proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall have one vote.

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

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

For shareholders who purchase the voting shares of the Company are in violation of provisions of the first clause and second clause of Article 63 of the Securities Law, they shall not exercise the voting rights of the shares that exceed the prescribed ratio within 36 months after purchasing them, and such shares shall not be included in the total number of shares with voting rights at a shareholders' general meeting.



Subject to compliance with laws, administrative regulations, departmental regulations, the listing rules of the Company's stock listing and this Articles of Association, the Company's Board of Directors, independent directors, shareholders holding more than one percent of voting shares, or the investor protection agency established in accordance with laws, administrative regulations or the regulations prescribed by securities regulatory authority under the State Council may act as a solicitor, either by itself or by entrusting a securities company or a securities service agency, to publicly request the shareholders of a listed company to entrust them to attend the shareholders' meeting on their behalf, and to exercise shareholder rights such as the right to propose and vote.

In soliciting shareholders' rights in accordance with the provisions in the preceding paragraph, the solicitors shall disclose the solicitation documents, and the listed company shall cooperate. In the case of solicitation of voting rights of shareholders, shareholders whose voting rights are solicited shall be made full disclosure of information such as voting intent. Solicitation of voting rights of shareholders in the form of compensation or disguised compensation is prohibited. In addition to the statutory conditions, the Company shall not set restriction on minimum shareholding percentage for solicitation of voting rights.

**Article 110** Resolutions made at a shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

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

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

**Article 111** Voting at a shareholders' general meeting shall adopt the form of open ballot.

In accordance with applicable laws and regulations and the listing rules of the stock exchange on which the Company's shares are listed, any shareholder must abstain from voting on any specified resolution or restricting any shareholder from voting only on or against the specified resolution; if there is any violation of this provision or the restrictions, the votes made by this shareholder or its representatives will not be counted in the voting results.

Unless the following persons require voting by voting before or after the show of hands, and the general meeting of shareholders shall vote by raising their hands, except as otherwise stipulated by laws and regulations, the securities regulatory agency or the stock exchange where the company's shares are listed:

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

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

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

**Article 112** If the matter demanded to be voted upon by ballot is the election of the Chairman of the meeting or the suspension of the meeting, a ballot shall be taken immediately. The Chairman can decide when a poll will be taken for any other matters, and the meeting may proceed with the discussion of other matters; the result of the ballot shall still be regarded as a resolution passed at that meeting.

**Article 113** When a ballot voting is held, the shareholders (including proxies) having two or more votes need not use all of their voting rights to vote for or against such matters.

**Article 114** When the number of votes for and against a resolution is equal, no matter whether the vote is taken by show of hands or by ballot, the Chairman of the meeting shall be entitled to cast one more vote.

**Article 115** The following proposals shall be resolved by an ordinary resolution at a shareholders' general meeting:

- (1) work reports of the Board of Directors and the Board of Supervisors;
- (2) profit distribution plan and plan for covering losses formulated by the board of directors;
- (3) the appointment and dismissal of members of the Board of Directors and the Board of Supervisors, and their remuneration and the method of payment thereof;

- (4) the annual budget and final accounts, balance sheet, profit statement and other financial statements of the Company;
- (5) the Company's annual report;
- (6) all other proposals not resolved by special resolutions as provided for in laws, administrative regulations, listing rules of the place where the Company's shares are listed or the Articles of Association.

**Article 116** The following proposals shall be resolved by a special resolution at a shareholders' general meeting:

- (1) increase or reduction in the registered share capital of the Company, and issuance of any class of shares, warrants or other similar securities;
- (2) issuance of corporate bonds;
- (3) division, spin-off, merger, dissolution and liquidation of the Company;
- (4) amendment to the Articles of Association;
- (5) the amount of purchase or disposal of material assets or providing guarantee in one year exceeds 30% of the latest audited total assets of the Company;
- (6) equity incentive plans and employee stock ownership plan;
- (7) adjustment and amendment of profit distribution policy stipulated in the Articles of Association;
- (8) authorization to the Board of Directors by the shareholders' general meeting to issue shares;
- (9) any other matters to be approved by a special resolution as required by the laws, administrative regulations, listing rules of the place where the Company's shares are listed and other regulatory provisions or the Articles of Association, or considered to have a substantial impact on the Company and to require approval by a special resolution by the shareholders' general meeting in an ordinary resolution.

**Article 117** In the event the matters of related transactions are discussed at a shareholders' general meeting, associated shareholders shall refrain from voting upon such related transactions, and the number of voting rights represented by such shareholders shall not be calculated in the total number of valid votes. The Company shall announce the resolutions of the Shareholders' general meetings in accordance with the relevant requirements of the stock exchange on which the shares of the Company are listed. The announcement of the resolution of such general meeting shall fully disclose the votes of the non-related shareholders.

**Article 118** The Company shall count the poll results of the proposals and disclose in the announcement of the resolutions passed by the shareholders' general meeting upon its conclusion in time. In the event of failing to pass any resolution caused by proposals being vetoed, abnormal or emergency conditions or significant matters with sufficient attention of investors, the Company shall publish an announcement on the date of the convening of the shareholders' general meeting.

**Article 119** Except for special circumstances where the Company is in a crisis, unless approved by a special resolution passed at a shareholders' general meeting, the Company shall not enter into a contract with a person other than a director, a supervisor, the president or any other senior management under which such person will take charge of the management of the Company's all or significant business.

**Article 120** The list of candidates for directors and supervisors shall be presented in the form of a proposal at a shareholders' general meeting for voting. When a shareholders' general meeting votes on the election of directors and supervisors, the cumulative voting method may be implemented pursuant to the provisions of the Articles of Association or the resolution of a shareholders' general meeting. Where a sole shareholder and its party acting in concert are interested in 30% or more in the shares of the Company, the cumulative voting method shall be adopted. When electing two or more independent directors, the cumulative voting system shall be adopted.

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

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

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

Upon the expiration of the term of office of the Board of Directors or in need of replacement of directors due to vacancies within the Board of Directors, the shareholders, individually or jointly, holding 3% or more of the total number of the outstanding shares with voting rights of the Company may recommend candidates for directors to the Board of Directors in writing. Upon the Board of Directors' review and examination, if the candidates comply with the provisions by law and the Articles of Association, the board shall submit the candidate list, curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election (independent directors shall be nominated, elected and replaced in accordance with the methods specified in the Independent Directors' Rules of Haier Smart Home Co., Ltd.).

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

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

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

**Article 121** Apart from the cumulative voting system, a shareholders' general meeting shall vote on the proposals one by one. Where there are different proposals for the same matter, voting shall be carried out in chronological order according to the time they are proposed. Except where a shareholders' general meeting is suspended or cannot pass a resolution under special circumstances such as force majeure, the shareholders' general meeting shall not lay aside a proposal or refuse to vote for a proposal.

**Article 122** When the shareholders' general meeting deliberates on a proposal, it shall not amend the proposal. Otherwise, the relevant amendment shall be deemed as a new proposal and shall not be voted at the shareholders' general meeting this time.

**Article 123** The same voting rights may only be exercised by one method, either on site, online or via one of any other voting methods. If there is repeated voting with respect to the same voting rights, the first voting result shall prevail.

**Article 124** Prior to voting on a proposal, a shareholders' general meeting shall nominate two shareholder's representatives to participate in counting of votes and scrutinization of ballot. Where a shareholder is related in the matter being deliberated on, he/she/it and his/her/its proxy shall neither count the votes nor act as the scrutineer.

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

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

**Article 125** An on-site shareholders' general meeting shall not end earlier than that conducted online or via any other method; the Chairman of the meeting shall announce the voting status and result for each proposal on site and announce in accordance with the voting result whether the proposal is passed.

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

**Article 126** Shareholders present at a shareholders' general meeting shall give one of the following opinions for a proposal subject to voting: consent, objection or abstention of voting. The securities registration and clearing organization shall be the nominal holder of shares on the Shanghai-Hong Kong Stock Connect, except where declaration is made in accordance with the actual intent of such shareholder.

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

**Article 127** The resolution of the general meeting of shareholders shall be published in time in accordance with the relevant laws and regulations, the provisions of the securities regulatory body where the Company's shares are listed or the provisions of the Articles of Association, the total number of shares with voting rights held by them and proportion with respect to the Company's total number of shares with voting rights, voting method(s), voting result of each proposal and the details information of every resolutions passed.

**Article 128** Where a proposal fails to be passed or the shareholders' general meeting has amended a resolution of the previous shareholders' general meeting, such condition shall be highlighted in the announcement on resolutions passed at the shareholders' general meeting.

**Article 129** Where shareholders' general meeting has resolved on the election of the relevant directors and supervisors, the newly-elected directors and supervisors shall take office immediately upon the conclusion of the shareholders' general meeting.

**Article 130** Where the proposals for cash dividend, bonus shares or conversion of capital reserve to share capital are passed at shareholders' general meetings, the Company shall implement such specific plan within 2 months from conclusion of the relevant shareholders' general meeting.

**Article 131** Shareholders who hold different classes of shares are referred to as "class shareholders".

**Article 132** Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations, the Articles of Association and rules prescribed by the securities regulatory authorities where the Company's shares are listed. If the Company intends to change or abrogate the rights of class shareholders, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate shareholders' meeting convened by the affected class shareholders in accordance with Articles 133 to 137.

**Article 133** The rights of shareholders of a certain classes shall be deemed to have been changed or abrogated in the following conditions:

- (1) an increase or decrease in the number of shares of such classes or an increase or decrease in the number of shares of a classes having voting rights, distribution rights or other privileges equal or superior to those of the shares of such classes;
- (2) a change of all or part of the shares of such classes into shares of another classes, a conversion of all or part of the shares of another classes into shares of such classes or the grant of the right to such change;
- (3) a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;
- (4) a reduction or removal of a dividend preference or property distribution preference during liquidation of the Company attached to shares of such class;

- (5) an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights or rights to acquire securities of the Company attached to shares of such class;
- (6) a removal or reduction of rights to receive amounts payable by the Company in a specified currency attached to shares of such class;
- (7) a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;
- (8) an imposition of restrictions or additional restrictions on the transfer of ownership of shares of such class;
- (9) an issuance of rights to subscribe for or convert into shares of such class or another class;
- (10) an increase in the rights and privileges of shares of another class;
- (11) a restructuring plan of the Company which will cause shareholders of different classes to bear liability to different extents during the restructuring;
- (12) an amendment or abrogation of the provisions regarding the voting of class shareholders of the Articles of Association.

**Article 134** Affected classes shareholders, whether or not having the right to vote at shareholders' general meeting, shall have the right to vote at meetings of class shareholders in respect of matters referred to in Items (2) to (8), (11) to (12) of Article 133, provided that interested shareholders shall not have the right to vote at meetings of class shareholders.

For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meanings:

- (1) if the Company has made a buy-back offer to all shareholders in the same proportion or has bought back its own shares through open transactions on a securities exchange in accordance with Article 29 hereof, the controlling shareholders as defined in Article 71 hereof shall be "the interested shareholders";
- (2) if the Company has bought back its own shares by an agreement outside a securities exchange in accordance with Article 29 hereof, shareholders in relation to such agreement shall be "the interested shareholders";



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

**Article 135** Resolutions of a meeting of class shareholders may be passed only by more than two-thirds of the voting rights of that class represented at the meeting in accordance with Article 132.

**Article 136** When the Company is to hold a meeting of class shareholders, it shall issue a notice by reference to the notice period requirements for convening the shareholders’ general meeting set out in the Article 85 of the Articles of Association, informing all the registered shareholders of that class of the matters to be deliberate on at the meeting as well as the date and venue of the meeting.

**Article 137** The notice of a meeting of class shareholders needs to be delivered only to the shareholders entitled to vote thereat.

Except for shareholders of other classes of shares, the shareholders of domestic shares and shareholders of foreign shares shall be deemed as holders of different classes of shares.

The special voting procedures for class shareholders shall not apply: where, as approved by way of a special resolution of the shareholders’ general meeting, the Company issues, either separately or concurrently, domestic shares and foreign shares every 12 months, and the number of the domestic shares and foreign shares intended to be issued does not exceed 20% of the issued and outstanding shares of the respective classes.

**Article 138** The procedures for holding a class meeting shall be similar to those for holding a shareholders’ general meeting as far as possible. Provisions in the Articles of Associations relating to the procedures for a shareholders’ general meeting shall apply to any class meeting.

## CHAPTER 6 BOARD OF DIRECTORS

### Section 1 Directors

**Article 139** The directors of the Company shall be natural persons. The following persons shall not serve as the directors of the Company:

- (1) a person without civil capacity or a person with limited capacity for civil conduct;
- (2) a person who was convicted for criminal offence for corruption, bribery, encroachment of property, misappropriation of assets or disruption of the order of socialist market economy and a 5-year period has not elapsed since completion of execution of the judgment, or who has been stripped of his/her political rights as result of committing a criminal offence and a 5-year period has not elapsed since completion of execution of the judgment, or who has been sentenced to probation and a 2-year period has not elapsed since the date of expiration of the probation period;
- (3) a person has been adjudicated for violating provisions of relevant securities regulations by a competent organization, and has been involved in a fraudulent or dishonest conduct, and less than five years have elapsed since the date of the adjudication;
- (4) a person who was a director or the plant president or manager of a bankrupt and liquidated company or enterprise and who was personally accountable for the bankruptcy of the said company or enterprise, and a 3-year period has not elapsed since completion of bankruptcy liquidation of the said company or enterprise;
- (5) a person who was the legal representative of a company or an enterprise whose business license was revoked or which was ordered to be closed down due to violation of law, and who was personally accountable for the revocation of business license or closure of the company or enterprise, and a 3-year period has not elapsed since revocation of business license of the said company or enterprise;
- (6) a person who has a relatively large amount of due and outstanding debt, who is listed as a dishonest person by the people's court;
- (7) a person who has been prohibited by the CSRC from serving as a director, supervisor or senior management of listed companies in the market and the ban period has not expired;
- (8) he/she has been publicly identified by the stock exchange as not suitable to serve as a director of a listed company, the term of which has not expired;

- (9) any other person stipulated by laws, administrative regulations or departmental rules.

In the case of the election or appointment of directors which violates the provisions of this article, the election or appointment shall be null and void. Where a director falls under the circumstances referred to in the Articles of Association during his/her/its tenure, the Company shall terminate his/her/its appointment. Where a director shall be removed from office but has not yet been removed, and if he/she attends and votes at a Board meeting, the vote he/she casts shall be invalid.

**Article 140** Directors shall be elected or replaced at a shareholders' general meeting and the tenure shall be 3 years. Upon expiry of tenure of a director, the director may be reelected.

Prior to expiry of tenure of a director, a shareholders' general meeting shall not remove the director without a reason. The Chairman of the Board of Directors and the vice Chairman of the board shall be elected and removed by more than half of all the directors. The Chairman of the board and the vice Chairman of the board shall serve a term of 3 years and may serve consecutive terms if reelected upon the expiration of their terms. Subject to compliance with the relevant provisions of laws and administrative regulations, the shareholders' general meetings may remove any director whose tenure has not expired by ordinary resolutions (without prejudice to any claim which might be put forward in accordance with any contract).

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

The tenure of a director shall be from the date of appointment to the expiry of tenure of the current Board of Directors. Where re-election is not promptly carried out upon expiry of the tenure of a director, prior to appointment of a new director, the original director shall continue to carry out director duties pursuant to the provisions of laws, administrative regulations, departmental rules and the Articles of Association.

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

Directors shall comply with laws, administrative regulations, listing rules of the place where the Company's shares are listed and the Articles of Association and undertake the following fiduciary obligations towards the Company:

- (1) not to make use of official powers to accept bribes or other illegal income or to encroach upon the Company's assets;
- (2) not to misappropriate the funds of the Company;

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

Income derived by a director from violation of the provisions of this article shall belong to the Company; where the Company suffer losses thereto, the director shall be liable for compensation.

**Article 141** Directors shall comply with laws, administrative regulations, listing rules of the place where the Company's shares are listed and the Articles of Association and shall undertake the following diligent obligations towards the Company:

- (1) exercising the rights accorded by the Company prudently, seriously and diligently to ensure that the commercial activities of the Company comply with laws and administrative regulations of the State and the requirements of various economic policies of the State and the commercial activities shall not exceed the scope of business stipulated in the business license;
- (2) treating all shareholders equally;
- (3) getting a timely grasp of the status of the Company's business operation and management;

- (4) a written confirmation of the company's securities issuance documents and periodic reports should be signed. It should ensure that the company discloses information in a timely and fair manner, and the information disclosed is true, accurate and complete. If the directors cannot guarantee the authenticity, accuracy, completeness or have disagreement on the securities issuance documents and periodic reports, they shall express their opinions and state the reasons in the written confirmation opinions, and the company shall disclose them. If the company does not disclose, the directors can directly apply for disclosure;
- (5) providing the relevant information and materials to the Board of Supervisors truthfully and not hindering the exercise of official powers by the Board of Supervisors or the supervisors;
- (6) any other diligent obligations stipulated by laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed and the Articles of Association.

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

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

**Article 142** Directors, supervisors and senior management, who have directly or indirectly entered into contracts or transactions with the company, shall report to the board of directors or the shareholders' general meeting on matters relating to the entering into of such contracts or transactions and have such matters approved by resolution of the board of directors or the shareholders' general meeting in accordance with the provisions of the Articles of Association. The preceding provision shall apply to contracts or transactions entered into with the company by close family members of the directors, supervisors, president and other members of senior management, enterprises directly or indirectly controlled by the directors, supervisors, president and other members of senior management or their close family members, as well as associates with whom the directors, supervisors, president and other members of senior management have other affiliations or relationships.

**Article 143** If a director, a supervisor, the president and other senior management of the Company breaches his/her obligations to the Company, the Company shall, in addition to any rights and remedies provided by laws and administrative regulations, have a right to:

- (1) require the relevant director, supervisor, president and other senior management to compensate for the losses sustained by the Company as a consequence of his/her dereliction of duty;
- (2) rescind any contract or transaction concluded by the Company with the relevant director, supervisor, president and other senior management and contracts or transactions with a third party (where such third party is aware or should be aware that the director, supervisor, president and other senior management representing the Company was in breach of his/her obligations to the Company);
- (3) require the relevant director, supervisor, president and other senior management to surrender the gains derived from the breach of his/her obligations;
- (4) recover any funds received by the relevant director, supervisor, president and other senior management that should have been received by the Company, including (but not limited to) commissions;
- (5) require the relevant director, supervisor, president and other senior management to return the interest earned or possibly earned on the funds that should have been given to the Company.

**Article 144** Where a director has not attended the board meeting in person for two consecutive times and does not entrust another director to attend the board meetings, he/she shall be deemed as unable to perform his/her duties and the Board of Directors shall propose to a shareholders' general meeting to replace the director.

**Article 145** A director may resign prior to expiry of his/her tenure. A resigning director shall submit a written resignation report to the Board of Directors. The Board of Directors shall disclose the relevant information within 2 days.

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

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

**Article 146** The obligation and credibility of the Company's directors, supervisors, president and other senior management does not necessarily cease with the termination of their office. Their obligation to keep the Company's trade secrets confidential shall remain upon termination of their office.

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

**Article 147** A director, a supervisor, the president and other senior management of the Company may be relieved from liability for a specific breach of obligations after the shareholders' general meeting has been informed, unless otherwise stipulated in the Articles of Association.

**Article 148** The Company shall conclude and sign a written contract with each director and supervisor of the Company in respect of his/her remunerations, which shall be previously approved by the shareholder' general meeting. The aforesaid remunerations shall include:

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

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

**Article 149** The Company shall specify in the contract concluded with a director or supervisor of the Company concerning his/her remunerations that in the event of a takeover of the Company, a director or supervisor of the Company shall, subject to prior approval of the shareholders' general meeting, have the right to receive the compensation or other funds obtainable for the loss of office or retirement.

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

- (1) anyone makes a takeover offer to all the shareholders;

- (2) anyone makes a takeover offer so that the offeror becomes a controlling shareholder as defined in Article 71 hereof.

If the relevant director or supervisor has failed to comply with this article, any fund received by him/her shall belong to those persons that have sold their shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund on a pro rata basis shall be borne by the relevant director or supervisor which may not be paid out of such fund.

**Article 150** Where it is not stipulated in the Articles of Association or without legitimate authorization by the Board of Directors, no director shall act on behalf of the Company or the Board of Directors in his/her own name. When director acts in his/her own name and a third party will reasonably assume that the director acts on behalf of the Company or the Board of Directors, the director shall state his/own stand and identity beforehand.

**Article 151** A director who causes the Company to suffer loss due to his/her unauthorized resignation prior to the end of his/her term shall be liable for damages.

**Article 152** Upon the approval by the shareholders' general meeting, the Company may purchase liability insurance for directors. Such insurance shall not cover the liabilities arising in connection with directors' violation of laws, regulations or the Articles of Association.

**Article 153** The Company may not in any manner pay tax on behalf of its directors, supervisors, president and other senior management.

**Article 154** Where a director violates the provisions of laws, administrative regulations, departmental rules or the Articles of Association in the exercise of director duties and causes the Company to suffer losses, he/she shall be liable for compensation.

**Article 155** Independent directors shall comply with the relevant provisions of laws, administrative regulations, and the CSRC and the stock exchange(s) of the place where the shares of the Company are listed.

**Article 156** The provisions about the directors' obligations in the Articles of Association are applied to the supervisors, presidents, and other senior management of the Company.



## Section 2 Independent Directors

**Article 157** The Company shall establish an independent director (namely “independent non-executive director”) system and the secretary of the Board of Directors shall actively cooperate with the independent directors to perform their duties. An independent director means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its substantial shareholders that could hinder his/her independent and objective judgments. The independent directors shall not be less than three and shall comprise at least one-third or more of the Directors of Board. Those who have simultaneously held the position of independent director in three domestic and overseas listed companies may no longer be nominated as candidates for independent director of the Company. The independent directors of the Company shall include at least one independent director usually residing in Hong Kong.

**Article 158** In addition to the implementation of the provisions of Section 1 of this chapter, the provisions of the Articles of Association shall also be applied to the independent directors. If there is any discrepancy between the provisions of Section 1 of this chapter and the provisions of the Articles of Association, the provisions of the Articles of Association shall prevail.

**Article 159** An independent director has a fiduciary and diligent obligation toward the Company and all its shareholders. An independent director shall, pursuant to the requirements of the relevant laws and regulations and the Articles of Association, conscientiously perform his/her duties and responsibilities, safeguard the Company’s overall interests and, in particular, pay attention to that the lawful rights and interests of small and medium shareholders are not prejudiced. An independent director shall perform his/her duties and responsibilities independently, without the interference of the substantial shareholders or the actual controller of the Company or other entities or individuals that have a material interest in the Company.

**Article 160** The Company shall engage suitable persons as its independent directors. At least one of the independent directors shall be a professional accountant or have appropriate accounting or related financial management expertise as required under the Hong Kong Listing Rules.

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

- (1) being qualified to practice as certified public accountant;
- (2) having senior professional title, associate professor title, or doctor’s degree of accounting, auditing or financial management;

- (3) having senior professional title of economic management and more than 5 years of full time working experience in accounting, auditing, financial management and other professional positions.

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

**Article 161** A person holding the position of independent director shall satisfy the basic conditions set forth below:

- (1) provisions of the *Company Law* on the qualifications of directors;
- (2) relevant provisions of the *Measures for the Administration of Independent Directors of Listed Companies* issued by the CSRC;
- (3) provisions of other laws, administrative regulations, departmental rules and listing rules of the place where the Company's shares are listed.

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

**Article 162** The independent director shall have the independence required by the securities regulatory authority and the stock exchange where the Company's shares are listed.

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

- (1) persons holding a position in the Company or a subsidiary thereof and their spouse, parents, children and major social relations (the term "major social relations" means siblings, spouses of siblings, parents-in-law, siblings of spouse, spouses of children, parents-in-law of children, etc.);
- (2) natural person shareholders who directly or indirectly hold 1% or more of the issued shares of the Company or who rank in the top ten shareholders of the Company and their spouse, parents and children;
- (3) persons who hold positions in the shareholder that directly or indirectly hold 5% or more of the issued shares of the Company or that rank in the top five shareholders of the Company and their spouse, parents and children;

- (4) persons who are currently, or have been an officer of the controlling shareholder or the actual controller of the Company and its subsidiaries within two years prior to the date of their proposed appointment as independent directors, as well as their spouses, parents and children;
- (5) persons who have significant business dealings with the Company and its controlling shareholders, de facto controllers or their respective subsidiaries, or who are serving in such entities with significant business dealings and their controlling shareholders or de facto controllers;
- (6) persons who are currently, or have been an officer within two years prior to the date of their proposed appointment as independent directors, providing financial, legal, consulting and sponsorship services to the Company and its controlling shareholders, de facto controllers or their respective subsidiaries, including, but not limited to, all the members of the project team, reviewing staff at all levels, staff who sign the report, partners, directors, senior management and key persons in charge of the intermediary institution providing the services;
- (7) persons who, within the last 12 months, have fallen into one of the classes listed in (1) to (3) and (5);
- (8) other persons determined by the securities regulators and stock exchanges of the place where the company's shares are to be listed.

**Article 163** The candidates for independent directors of the Company shall be of good moral character and shall comply with the requirements of the regulatory rules of the place where the Company's shares are listed.

**Article 164** The Company shall formulate an Independent Director System of Haier Smart Home Co., Ltd. in accordance with relevant laws and regulations and regulatory rules to specify the methods of nomination, election and replacement of independent directors.

**Article 165** Rights of an independent director:

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

- (1) independently engaging intermediaries to audit, consult or verify specific matters of the Company;
- (2) proposing to the Board of Directors the convening of an extraordinary general meeting;

- (3) proposing to convene a meeting of the Board of Directors;
- (4) to openly solicit shareholders' rights from shareholders in accordance with the law;
- (5) expressing independent opinions on matters that may jeopardize the interests of the Company or small and medium-sized shareholders;
- (6) other powers and functions prescribed by laws, administrative regulations, securities regulatory authorities and stock exchanges where the Company's securities are listed, and the Articles of Association.

The exercise of the powers and functions listed in (1) to (3) of the preceding paragraphs by an independent director shall be approved by a majority of all independent directors.

If an independent director exercises the powers listed in (1) of the preceding paragraph, the Company shall disclose them in a timely manner. In the event that the above powers are not exercised in an ordinary manner, the Company shall disclose the details and reasons thereof.

If an independent director votes against or abstains from voting on a resolution of the Board of Directors, he/she shall state the specific reasons and basis, the legal compliance of the matter involved in the resolution, the possible risks and the impact on the interests of the Company and the small and medium-sized shareholders. The Company shall disclose the dissenting opinions of the independent directors when disclosing the resolutions of the Board of Directors, and shall set out the dissenting opinions in the resolutions of the Board of Directors and the minutes of the meetings.

**Article 166** The following matters shall be approved by a majority of all independent directors of the Company and submitted to the Board of Directors for consideration thereafter:

- (i) disclosable related party transactions;
- (ii) proposals for changes in or waivers of commitments by the Company and its related parties;
- (iii) decisions made and measures taken by the board of directors of any acquiree in connection with the acquisition;
- (iv) other matters prescribed by laws, administrative regulations, securities regulatory authorities and stock exchanges where the Company's securities are listed, and the Articles of Association.

The Company shall regularly or irregularly convene a meeting attended by all of its independent directors (hereinafter referred to as the “Special Meeting of Independent Directors”). Matters listed in (i) to (iii) under the first paragraph of Article 165 of the Articles of Association and the preceding paragraph of this Article shall be considered by the Special Meeting of Independent Directors.

The Special Meeting of Independent Directors may consider and discuss other matters of the Company as necessary.

The Special Meeting of Independent Directors shall be convened and chaired by an independent director jointly nominated by a majority of the independent directors; where the convenor is unable or fails to perform his or her duties, two and more independent directors may convene a meeting on their own initiative and nominate a representative to preside over the meeting. The Company shall provide convenience and support for the convening of any Special Meeting of Independent Directors.

**Article 167** The Company shall provide necessary conditions to ensure that the independent directors effectively exercise their functions and powers.

### **Section 3 Board of Directors**

**Article 168** The Company shall establish a Board of Directors which is accountable to the shareholders’ general meeting.

The Board of Directors shall comprise eight to thirteen directors, of whom three to five shall be independent directors. There shall be one Chairman and one or two deputy chairmen.

**Article 169** The Board of Directors shall exercise the following powers and functions:

- (1) convening the shareholders’ general meeting and submitting work reports to the shareholders’ general meeting;
- (2) implementing resolutions of the shareholders’ general meeting;
- (3) determining the Company’s operation plans and investment schemes;
- (4) formulating the Company’ annual budgets and final accounts;
- (5) formulating the Company’s profit distribution plan and plan for making up of losses;
- (6) formulating the Company’s plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;

- (7) formulating the Company's plans for significant acquisition, merger and acquisition, division, splits, dissolution and change of corporate form;
- (8) determining the matters relating to the repurchase of shares of the Company due to the circumstances specified in item (3), (5) and (6) of Article 28 of the Articles of Association;
- (9) determining, within the scope of the mandate granted by the shareholders' general meeting, the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, financial assistance, related party transactions, etc.;
- (10) determining setting up of the Company's internal management organizations;
- (11) The appointment or dismissal of the Company's president, the secretary of the Board of Directors and the secretary of the Company; appointment or dismissal of the senior management such as the Company's vice-president or financial responsible person based on nomination by the president, and determining their remunerations and incentives and penalties;
- (12) formulating the Company's basic management rules;
- (13) formulating plans for amendment of the Articles of Association;
- (14) managing information disclosure by the Company;
- (15) proposing to the shareholders' general meeting on the appointment or replacement of accounting firm which provides audit services to the Company;
- (16) listening to the president's work reports of the Company and inspecting the president's work performance;
- (17) determining the Company's charitable and relief donations with the annual aggregate amount being no more than RMB50 million (inclusive);
- (18) any other functions and powers granted by laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed or the Articles of Association, and the general meeting of shareholders.

For resolutions by the Board of Directors on matters referred to in Items (6), (7), (8) and (13) in the first paragraph of this Article may be passed by the affirmative vote of more than two-thirds of the directors.

For resolutions by the Board of Directors on external guarantees stipulated under Item (9) in the first paragraph of this Article, apart from being deliberated and adopted by the affirmative vote of more than half of all directors, they should also require to be deliberated and adopted by the affirmative vote of more than two-thirds of the directors presented at the board meetings.

For resolutions by the Board of Directors on financial assistance stipulated under Item (9) in the first paragraph of this Article, apart from being deliberated and adopted by more than half of all directors, they should also require to be deliberated and adopted by more than two-thirds of the directors present at the board meetings, except that the assistance subject is the controlling subsidiary included in the consolidated statements of the Company and that the other shareholders of that controlling subsidiary do not include the controlling shareholders, de facto controllers and their related parties of the listed company. The Company is also subject to the deliberation requirements for Board of Directors consideration if providing financial assistance to connected joint-stock companies not under the control of the Company's controlling shareholders and de facto controllers (and that the other shareholders of such joint-stock companies provide financial assistance on equal terms and in proportion to their capital contributions).

Resolutions by the Board of Directors on other matters stipulated in the first paragraph of this Article may be passed by the affirmative vote of more than half the directors.

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

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

**Article 170** The Board of Directors shall establish stringent examination and decision-making procedures for the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party transactions and external donations; with respect to significant investment projects, the Board of Directors shall organize relevant experts and professionals to appraise and submit the same to the shareholders' general meeting for approval.

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

- (1) determining the following transactions of the Company (other than providing guarantees, financial assistance receiving endowment of cash assets and purely reducing or canceling the Company's debts):
  - (a) total assets involved in any transaction (the higher of book value or assessed value, if both exist) amounting to no more than 50% (exclusive) of the listed company's latest audited total assets; if the Company conducts transactions such as the provision of financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts within twelve consecutive months based on transaction class; if the Company conducts transactions other than the provision of guarantees or financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts of all transactions in connection with the related object under the same transaction class within twelve consecutive months;
  - (b) value of any transaction (including the debts and expenses incurred) amounting to no more than 50% (exclusive) of listed company's latest audited net assets; if the Company conducts transactions such as the provision of financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts within twelve consecutive months based on transaction class; if the Company conducts transactions other than the provision of guarantees or financial assistance or entrusted wealth management, such transactions shall be calculated by accumulating the amounts of all transactions in connection with the related object under the same transaction class within twelve consecutive months;
  - (c) in case of purchase or sale of assets by the Company, the cumulative amount of total assets or transaction value involved in such transactions within twelve consecutive months shall be no more than 30% of the Company's latest audited total assets;
- (2) determining guarantees other than those set forth in Article 72 of the Articles of Association;
- (3) deciding on financial assistance matters except those provided in Articles 72 of this Articles of Association;
- (4) determining any related party transaction with value amounting to no more than 5% (exclusive) of the Company's latest audited net assets (absolute value);
- (5) determining any other matters accorded by the shareholder's general meeting in form of resolutions.



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

The above matters which are otherwise provided for in laws and regulations, listing rules of the place where the Company's shares are listed and the Articles of Association shall be excluded.

**Article 171** The Board of Directors of the Company shall establish special committees such as strategy committee, audit committee, nomination committee and remuneration and evaluation committee, environmental, social and governance committee etc. according to the relevant resolutions of the shareholder's general meeting. All members of special committees shall comprise directors. Independent directors shall be the majority in the audit committee, nomination committee, remuneration and evaluation committee and shall serve as conveners. The members of the audit committee shall be directors who do not hold senior management positions in the Company. The audit committee shall consist entirely of non-executive directors, shall have at least three members and shall have at least one independent director who is an accounting professional or has the appropriate accounting or relevant financial management expertise required under the Hong Kong Listing Rules and serves as a convener.

**Article 172** The main responsibilities of the strategy committee are to study and advise on the Company's long-term development strategy, major investment decisions and plan for returns to shareholders. At the same time, it shall perform other duties stipulated in laws and regulations, the listing rules of the place where the Company's shares are listed and the procedure rules of the Company's strategy Committee.

**Article 173** The main responsibilities of the audit committee are to:

- (1) propose engagement or replacement of the external audit institutions;
- (2) supervise the Company's internal audit system and its implementation;
- (3) coordinate the communication between the internal audit and external audit;
- (4) review the Company's financial information and its disclosure;
- (5) review the Company's internal control system;
- (6) formulate annual or interim profit distribution plan; and
- (7) perform other duties stipulated by laws and regulations, the listing rules of the place where the Company's shares are listed and the rules of procedure of the audit committee of the Company.

**Article 174** The main responsibilities of the nomination committee are to:

- (1) study and advise on criteria and procedures for selecting directors and president;

- (2) conduct extensive search on qualified candidates for directors and president;
- (3) review and advise on candidates for directors and president; and
- (4) perform other duties stipulated by laws and regulations, listing rules of the place where the Company's shares are listed and the rules of procedure of the nominating committee of the Company.

**Article 175** The main responsibilities of the remuneration and evaluation committee are to:

- (1) study criteria for performance review for directors and president and conduct and advise on performance review;
- (2) study and review remuneration policy and system for directors and senior management; and
- (3) other responsibilities stipulated by laws and regulations, the listing rules of the place where the Company's shares are listed and the rules of procedure of the Company's compensation and assessment committee.

**Article 176** In accordance with the domestic and overseas regulatory requirements, the environmental, social and governance committee under the Board of Directors is mainly responsible for the management of corporate governance, environmental and social responsibilities of the Company and make relevant recommendations to the Board of Directors, which includes:

- (I) Guide and review the formulation of the Company's environmental, social and governance vision and strategies, and report and make recommendations to the Board;
- (II) Evaluate and classify the Company's environmental, social and governance risks and opportunities, and report and make recommendations to the Board;
- (III) Review the implementation of the Company's environmental, social and governance work and internal control system, and report and make recommendations to the Board on their appropriateness and effectiveness;
- (IV) Review and monitor the Company's relevant environmental, social and governance objectives and its implementation, and report and make recommendations to the Board;
- (V) Review the social responsibility report disclosed by the Company to the public, and report and make recommendations to the Board;
- (VI) Conduct research and make recommendations on other major environmental, social and governance matters and emergencies that affect the Company;

(VII) Inspect the implementation of the above matters;

(VIII) Other matters authorised by the Board.

**Article 177** The aforesaid special committees may engage intermediary agencies to provide professional advice with relevant expense borne by the Company.

**Article 178** All of the special committees shall be accountable to the Board of Directors. The proposal of each special committee shall be submitted to the Board of Directors for deliberation and decision.

**Article 179** Where the certified public accountant has issued an audit report with explanatory notes, qualified opinion, disclaimer of opinion or adverse opinion, the Board of Directors shall provide the shareholder's general meeting with an explanation on the relevant matters resulting in the issuance of such opinion by the accounting firm as well as the impacts on the Company's financial and operating conditions. If such matter has direct impacts on the profit for the current period, the Board of Directors of the Company shall determine the profit distribution plan or the plan for capitalization of capital reserves (whichever is lower).

**Article 180** The Chairman and deputy Chairmen shall be served by the directors of the Company and elected and dismissed by a simple majority of all directors.

**Article 181** The Chairman of the Board of Directors shall exercise the following powers and functions:

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

**Article 182** The deputy Chairmen shall assist the Chairman in performance of his/her duties. Where the Chairman is unable or fails to perform his/her duties, the deputy Chairmen shall perform the duties (where there are two or more deputy Chairmen, the deputy Chairman jointly elected by a simple majority of the directors shall perform the duties); where the deputy Chairmen are unable or fail to perform the duties, a director jointly elected by a simple majority of the directors shall perform the duties.

**Article 183** The meetings of the board of directors shall be classified into regular meetings and interim meetings. The Board of Directors shall meet at least four times a year, approximately quarterly, called by the Chairman, and shall give no less than 14 days' prior notice of its regular meetings.

**Article 184** Shareholders holding 1/10 or more of the voting rights, 1/3 or more of the directors, 1/2 or more of the independent directors, the president or the Board of Supervisors may propose to hold an interim board meeting. The Chairman shall convene and preside over a board meeting within 10 days after the receipt of such proposal.

**Article 185** The notification method for convening of an interim board meeting shall be phone call, email or fax. A notice shall be given to all the directors in two days before the meeting is held, except for the interim board meetings held under special or urgent circumstances.

**Article 186** A notice of board meeting shall include the following contents:

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

**Article 187** The quorum of a board meeting shall be a simple majority of the directors. The resolution proposed by the Board of Directors shall be passed by a simple majority of all the directors, unless otherwise stated in the Articles of Associations.

Each director has one vote when voting for board resolutions.

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

**Article 188** A director who is related to an enterprise involved in a board resolution shall abstain from voting for the board resolution and shall not represent another director in exercise of voting rights. The board meeting may be held with the quorum of a simple majority of unrelated directors and resolutions to be passed at the board meeting shall be passed by simple majority of votes of unrelated directors. Where the number of unrelated directors present at the board meeting is less than 3, the matter shall be submitted to the shareholders' general meeting for deliberation.

**Article 189** The voting method for board resolutions shall be voting by show of hands.

An interim board meeting may, on the premise that full expression of opinions by directors are guaranteed, be conducted in form of tele-conference (including telephone conference, video conference and written proposal or other off-site conference forms) and pass resolutions; the directors present at the meeting shall sign the resolutions. Regular meetings of the Board of Directors, meetings to consider matters in which the board considers major shareholders or directors have major conflicts of interest, and appointment and dismissal of the secretary of the Company shall not be convened by means of circulation of written resolutions.

**Article 190** Directors shall attend board meetings personally; where a director is unable to attend a board meeting for some reason, he/she may entrust another director in writing to attend the meeting on his/her behalf. The proxy form shall state the name of the proxy, the matters to be represented, the scope of authorization and the validity period, and the entrusting party shall sign or affix seal thereto. The director who attends the meeting on his/her behalf shall exercise the director's rights within the scope of authorization. Where a director does not attend a board meeting and does not appoint a proxy to attend on his/her behalf, he/she shall be deemed to forfeit his/her voting rights at the said meeting.

**Article 191** The Board of Directors shall keep minutes on resolutions of the meetings on the agenda items, which shall be signed by the directors who are present at the meeting.

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

**Article 192** The minutes of a board meeting shall include the following contents:

- (1) the date and venue of the meeting and the name of the convener;
- (2) the names of directors who are present at the meeting and the names of directors (proxies) entrusted to attend the board meeting;
- (3) the agenda of the meeting;

- (4) key points of speeches by the directors;
- (5) the voting method and results for each resolution (the voting results shall specify the number of affirmative, objection or abstention votes).

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

#### **Section 4 Secretary of the Board of Directors**

**Article 193** The Board of Directors shall appoint a secretary of the Board of Directors. The secretary of the Board of Directors shall be a senior management of the Company, who is accountable to the Company and the Board of Directors and acts as the designated contact person between the Company and the relevant stock exchanges and securities authorities.

**Article 194** The secretary of the Board of Directors shall have necessary expertise and experience and be appointed by the Board of Directors.

The provisions of Article 139 hereof on inappropriate candidates for directors shall apply to the secretary of the Board of Directors.

**Article 195** The main responsibilities of the secretary of the Board of Directors are as follows:

- (1) being responsible for release of the Company's information to the public, coordinating the information disclosure of the Company, organizing the establishment of management systems for information disclosure of the Company, and urging the Company and the relevant persons with information disclosure obligations to observe relevant disclosure regulations; and to ensure that the Company prepares and submits the documents and reports required by relevant authorities according to law;
- (2) being responsible for investor relationship management, coordinating communications between the Company and the securities regulatory authority, investors, de facto controller, intermediaries and public media;

- (3) organizing and preparing the board meetings and the shareholders' general meetings, attending the shareholders' general meetings, the board meetings, the meetings of the Board of Supervisors and the meetings of senior management, and keeping and signing the minutes of the board meetings; and guaranteeing that the Company has complete organizational documents and records;
- (4) being responsible for confidentiality with respect to information disclosure of the Company, and reporting to the Securities Regulatory Authorities and Stock Exchanges where the Company's shares are listed and making disclosure in a timely manner whenever any non-published material information is leaked;
- (5) paying close attention to media coverage, ascertaining whether the coverage is true or not and urging the Company and other related entities to respond to the inquiries of the Securities Regulatory Authorities and Stock Exchanges where the Company's shares are listed in a timely manner;
- (6) organizing trainings for directors, supervisors and senior management of the Company on relevant laws, administrative regulations, listing rules of the place where the Company's shares are listed and relevant regulations, and helping them to have a clear grasp of their respective responsibilities with respect to information disclosure;
- (7) urging directors, supervisors and senior management to comply with laws and regulations, relevant regulations of the stock exchanges where the Company's shares are listed and this Articles of Association and practically fulfill the commitments made by them; whenever the secretary of the Board of Directors becomes aware that any of directors, supervisors and senior management has violated laws, administrative regulations, departmental rules, other regulatory documents, the listing rules of the stock exchange where the Company's shares are listed and other regulations, and the Articles of Association or that the Company makes or is likely to make any decision in violation of relevant regulations, reminding the relevant person and promptly reporting to the Stock Exchanges where the Company's shares are listed;
- (8) being responsible managing the changes in corporate stocks and their derivatives;
- (9) other duties required by the *Company Law*, the Securities Regulatory Authorities where the Company's shares are listed and the Stock Exchanges.

**Article 196** The Company shall provide conveniences for the secretary of the Board of Directors to perform his/her duties. The directors, supervisors, financial officer, other senior management and relevant persons of the Company shall support and cooperate with the secretary of the Board of Directors in his/her work.

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

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

**Article 197** Directors (other than independent directors) or other senior management of the Company may concurrently hold the position of secretary of the Board of Directors of the Company. The certified public accountants and lawyers of the accounting firms or law firms engaged by the Company may not concurrently hold the position of secretary of the Board of Directors of the Company. The secretary of the Board of Directors shall have financial, management and legal expertise as required for performing his/her duties, good professional and personal ethics and have obtained the training certificate for board secretaries issued by the Shanghai Stock Exchange. Any of the following persons shall not serve as the secretary of the Board of Directors:

- (1) circumstances under which a person may not serve as a director, supervisor or senior management member as stipulated in the *Company Law*;
- (2) any person who has been subject to any administrative sanction imposed by the CSRC in the most recent three years;
- (3) he/she is under a penalty of prohibited access to the securities market that may not serve as a director, supervisor and senior management of a listed company imposed by the CSRC, which penalty is still effective;
- (4) he/she has been publicly identified by the stock exchange as not suitable to serve as a director, supervisor and senior management of a listed company, the term of which has not expired;
- (5) any person who has been censured publicly or criticized more than three times through circulating notices by stock exchanges in the most recent three years;
- (6) any person who is the incumbent supervisor and independent directors of the Company;
- (7) any other person deemed by the Shanghai Stock Exchange as inappropriate for serving as the secretary of the Board of Directors.



**Article 198** The Company shall, while appointing a secretary of the Board of Directors, appoint a securities affairs representative to assist the secretary of the Board of Directors in performing his/her duties. In case that the secretary of the Board of Directors is unable to perform his/her duties, the securities affairs representative shall perform the duties and exercise the powers in place of the secretary of the Board of Directors. During such period, the secretary of the Board of Directors shall not be naturally exempted from his/her responsibilities for the Company's information disclosure affairs. The securities affairs representative shall have obtained the training certificate for secretary of the Board of Directors issued by the Shanghai Stock Exchange.

**Article 199** After the Company appoints a secretary of the Board of Directors and a securities affairs representative, it shall publish an announcement and submit the following materials to the Shanghai Stock Exchange in a timely manner:

- (1) recommendation letter of the Board of Directors, including the description of the qualifications of the secretary of the Board of Directors and the securities affairs representative as stipulated in the Rules Governing the Listing of Stock on the Shanghai Stock Exchange, his/her current position, work performance and personal morality etc.;
- (2) curriculum vitae and a photocopy of the academic certificate of the secretary of the Board of Directors and the securities affairs representative;
- (3) appointment letters for the secretary of the Board of Directors and the securities affairs representative or relevant resolutions of the Board of Directors;
- (4) contact details of the secretary of the Board of Directors and the securities affairs representative, including office phone number, home phone number, mobile phone number, facsimile number, correspondence address and e-mail etc.;

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

**Article 200** The Company shall not dismiss the secretary of the Board of Directors without sufficient reasons.

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

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

**Article 201** Upon the occurrence of any of the following circumstances, the Company shall dismiss the secretary of the Board of Directors within one month from the date when such circumstance comes into existence:

- (1) any of the circumstances enumerated in Article 197 hereof arises;
- (2) the secretary of the Board of Directors is unable to perform his/her duties for more than three consecutive months;
- (3) the secretary of the Board of Directors commits a major mistake or gross negligence in the performance of his/her duties, thus causing heavy losses to the Company and its investors;
- (4) the secretary of the Board of Directors violates laws, regulations, regulatory documents, other regulations of the Stock Exchanges where the Company's shares are listed and the Articles of Association, thus causing serious consequences or heavy losses to the Company and its investors.

**Article 202** When appointing a secretary of the Board of Directors, the Company shall enter into a confidentiality agreement with the secretary of the Board of Directors, requiring him/her to make an undertaking to fulfill the obligation of confidentiality on an ongoing basis during his/her term of office and after leaving office until the relevant information has been disclosed, except for the information relating to the Company's violations of laws and regulations.

**Article 203** During the period when the office of the secretary of the Board of Directors is vacant, the Board of Directors shall designate one director or senior management to perform the duties of the secretary of the Board of Directors and report the same to the Shanghai Stock Exchange. Meanwhile, it shall determine the candidates for secretary of the Board of Directors as soon as possible. Before the Company designates an acting secretary of the Board of Directors to perform the duties of the secretary of the Board of Directors, the Chairman of the Board of Directors shall perform such duties in place of the secretary of the Board of Directors.

If the vacancy remains unfilled for more than three months, the Chairman of the Board of Directors shall perform the duties of the secretary of the Board of Directors and the appointment of the secretary of the Board of Directors shall be completed within 6 months.

**Article 204** The Company shall ensure that the secretary of the Board of Directors participates in the follow-up training programs for secretary of the Board of Directors organized by the Shanghai Stock Exchange during his/her term of office as required.

**Article 205** The information disclosure and equity management affairs handled in the name of the Company by the secretary of the Board of Directors, the person who performs the duties in place of the secretary of the Board of Directors as prescribed in Article 203 hereof or the securities affairs representative are acceptable to the Shanghai Stock Exchange.

The secretary of the Board of Directors shall comply with relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association. The secretary of the Board of Directors shall be nominated by the Chairman of the Board of Directors and appointed or dismissed by the Board of Directors. Any director or any other senior management of the Company may concurrently serve as the secretary of the Board of Directors. The accountants of the accounting firm engaged by the Company shall not serve as the secretary of the Board of Directors concurrently. Where a director concurrently serves as the secretary of the Board of Directors, such person who concurrently serves as the director and the secretary of the Board of Directors shall not act in a dual capacity if an act is to be performed by the director or the secretary of the Board of Directors respectively.

## **CHAPTER 7 PRESIDENTS AND OTHER SENIOR MANAGEMENT**

**Article 206** The Company shall have one president to be appointed or dismissed by the Board of Directors. In principle, the Chairman shall not concurrently act as president.

The Company shall have several vice-presidents to be appointed or dismissed by the Board of Directors.

The Company's president, vice-presidents, chief finance officer and the secretary of the Board of Directors shall be the Company's senior management.

**Article 207** The provisions of Article 139 hereof where a person is prohibited from acting as a director shall apply to senior management.

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

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

**Article 208** The term of office of the president shall be 3 years and the president may be re-appointed upon the expiration of his/her term.

**Article 209** The president shall be accountable to the Board of Directors and shall exercise the following powers and functions:

- (1) presiding over production and operation management of the Company, organizing implementation of board resolutions and reporting to the Board of Directors on his/her work;
- (2) organizing the implementation of the Company's annual business plans and investment plans;
- (3) formulating plans for establishment of internal management organizations of the Company;
- (4) formulating basic management rules of the Company;
- (5) formulating specific rules and regulations of the Company;
- (6) proposing to the Board of Directors on appointment or dismissal of the Company's deputy vice-presidents, chief finance officer and other senior management recognized by the CSRC;
- (7) determining the appointment or dismissal of management personnel other than those whose appointment or dismissal is decided by the Board of Directors;
- (8) determining wages, benefits, rewards and punishments for the employees of the Company and determining the hiring and dismissal of the employees of the Company;
- (9) proposing the convening of interim board meetings;
- (10) determining charitable and relief donations with annual accumulative amount being no more than RMB50 million (inclusive) and single amount being no more than RMB10 million (inclusive);
- (11) any other power and function granted by the Articles of Association or the Board of Directors.

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

**Article 210** The president shall formulate the manager working rules and submit the same to the Board of Directors for approval before implementation.

**Article 211** The president working rules shall include the following contents:

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

- (2) respective duties of and the division of work between the president and other senior management;
- (3) authority limits for application of the Company's funds and assets, execution of material contracts and the reporting system to the Board of Directors and the Board of Supervisors;
- (4) any other matters deemed necessary by the Board of Directors.

**Article 212** In the exercise of his/her functions and powers, the president shall perform his/her duties in good faith and with diligence in accordance with laws, administrative regulations and the Articles of Association, protect the interests of the Company and the shareholders, and not make use of its position and functions and powers in the Company to seek personal gains.

**Article 213** The president may submit the resignation prior to the expiration of his/her term of office. The detailed procedures and methods relating to resignation of the president shall be stipulated in the service contract between the president and the Company.

**Article 214** The appointment and dismissal of the president shall be in compliance with the statutory procedures and made public.

**Article 215** Senior management personnel shall sign a written confirmation for the Company's securities issuance documents and periodic reports. It should ensure that the Company discloses information in a timely and fair manner, and the information disclosed is true, accurate and complete. Senior management personnel who cannot guarantee the authenticity, accuracy, completeness or has disagreement on the contents of the securities issuance documents and periodic reports shall express their opinions and state the reasons in the written confirmation opinions, and the company shall disclose them. If the Company does not disclose, senior management personnel can directly apply for disclosure.

## **CHAPTER 8 BOARD OF SUPERVISORS**

### **Section 1 Supervisors**

**Article 216** The provisions of Article 139 hereof where a person is prohibited from acting as a director shall also apply to candidates for supervisors.

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

**Article 217** Supervisors shall comply with laws, administrative regulations and the Articles of Association and bear fiduciary obligations and diligent obligations towards the Company; supervisors shall not make use of their powers and functions to accept bribes or other illegal income and shall not encroach upon the properties of the Company.

**Article 218** The term of office of supervisors shall be 3 years. Supervisors who are shareholder representatives shall be elected or replaced by the shareholders' general meeting. Supervisors served by employees shall be democratically elected or replaced by the employees of the Company. A supervisor may be re-appointed upon the expiration of his/her term of office.

**Article 219** Where a re-election is not promptly carried out upon expiry of the term of office of a supervisor or the resignation of a supervisor during his/her term office will render the number of supervisors to fall below the minimum quorum, the original supervisor shall continue to perform supervisor duties pursuant to the provisions of laws, administrative regulations and the Articles of Association prior to appointment of his/her replacement.

**Article 220** If a supervisor fails to attend the meetings of the Board of Supervisors and does not entrust another supervisor to vote on his/her behalf in writing for two consecutive times, the supervisor shall be deemed to be unable to perform his/her duties. The shareholders' general meeting or the employee representatives' assembly shall replace such supervisor.

**Article 221** Supervisors shall ensure the truthfulness, accuracy and completeness of the information disclosed by the Company.

**Article 222** Supervisors may be in attendance at the board meetings and raise questions or suggestions on the resolutions of the Board of Directors.

**Article 223** Supervisors shall not make use of their relationships to harm the interests of the Company; where the Company suffers losses thereto, the supervisors shall be liable for compensation.

**Article 224** Supervisors shall faithfully perform their supervisory duties in accordance with laws, administrative regulations, departmental rules, the regulatory rules of the place where the shares of the Company are listed and the Articles of Association. If a supervisor fails to perform his/her duties when he/she knows or should know any violation of laws, administrative regulations or the Articles of Association and damages to the interests of the Company conducted by any director or senior management, he/she shall assume corresponding responsibilities. Where a supervisor violates the provisions of laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association in his/her execution of company duties and causes the Company to suffer losses thereto, he/she shall be liable for compensation.

## Section 2 Board of Supervisors

**Article 225** The Company shall establish a Board of Supervisors. The Board of Supervisors shall comprise 3 supervisors and shall have a Chairman. The appointment or removal of the Chairman and vice-Chairman of the Board of Supervisors shall be approved by more than one-half of the members of the Board of Supervisors. The Chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors; where the Chairman of the Board of Supervisors is unable or fails to perform his/her duties, the deputy Chairman of the Board of Supervisors shall convene and preside over the meetings of the Board of Supervisors; where the deputy Chairman of the Board of Supervisors is unable or fails to perform his/her duties, a supervisor elected by a simple majority of the supervisors shall convene and preside over the meetings of the Board of Supervisors. The Board of Supervisors shall include shareholder representatives and an appropriate percentage of employee representatives, and the ratio of employee representatives shall not be less than one-third. The employee representatives in the Board of Supervisors shall be elected by the employees of the Company through the employee representatives' assembly, employees' assembly or any other democratic form.

**Article 226** The Board of Supervisors shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers:

- (1) The securities issuance documents prepared by the Board of Directors and the Company's periodic reports shall be reviewed and written review opinions shall be submitted, and the supervisors shall sign a written confirmation. Company should be guaranteed to disclose information in a timely and fair manner, and the information disclosed is true, accurate and complete. Supervisors who cannot guarantee the authenticity, accuracy, completeness or have disagreement on the contents of the securities issuance documents and periodic reports shall express their opinions and state the reasons in the written confirmation opinions, and the Company shall disclose them. If the Company does not disclose, the supervisor may directly apply for disclosure;
- (2) inspecting the financial position of the Company;
- (3) supervising performance of duties of the Company by directors and senior management, and proposing the termination of appointment of directors and senior management who have violated laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meeting;
- (4) where directors or senior management has acted against the interests of the Company, requiring the director or senior management to make correction and reporting to the shareholders' general meeting or the competent State authorities if necessary;

- (5) proposing the convening of an interim general meeting, convening and presiding over the shareholders' general meetings where the Board of Directors does not perform the duties stipulated by the *Company Law* on convening and presiding over the shareholders' general meeting;
- (6) making proposals to the shareholders' general meeting;
- (7) filing a lawsuit against a director or senior management;
- (8) conducting investigations when abnormalities in the Company's operations are found and, where necessary, engaging professional organizations such as accounting firms and law firms to assist in their work at the Company's expense.

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

**Article 227** Resolutions of the Board of Supervisors shall be adopted by more than one-half of the members of the Board of Supervisors.

**Article 228** The Board of Supervisors shall formulate rules of procedure for Board of Supervisors and specify the rules and voting procedures for meetings of the Board of Supervisors to ensure work efficiency and rational decision-making of the Board of Supervisors.

**Article 229** The Board of Supervisors shall keep minutes on decisions of the meeting on the agenda items, which shall be signed by the supervisors attended the meeting.

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

**Article 230** A notice of meeting of Board of Supervisors shall include the following contents:

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



## **CHAPTER 9 FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT**

### **Section 1 Financial Accounting System**

**Article 231** The Company shall formulate its financial accounting system pursuant to the provisions of laws, administrative regulations and the relevant State authorities.

**Article 232** The financial statements of the Company shall be prepared not only in accordance with China's accounting standards, laws and regulations, but also in accordance with international accounting standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements. For purposes of the Company's distribution of after-tax profits in a given fiscal year, the smaller amount of after-tax profits shown in the above-mentioned two kinds of financial statements shall prevail.

**Article 233** Interim results or financial information published or disclosed by the Company shall be prepared in accordance with China's accounting standards, laws and regulations as well as international standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed.

**Article 234** The Company shall submit and disclose its annual report to the CSRC and the Stock Exchanges where the Company's shares are listed within 4 months from the end of each fiscal year, submit and disclose its interim report to the CSRC's Qingdao Branch and the Stock Exchanges where the Company's shares are listed within 2 months from the end of the first half of each fiscal year and submit and disclose quarterly reports to the CSRC's Qingdao Branch and the Stock Exchanges where the Company's shares are listed within 1 month from the end of the first 3 months and first third quarters of each fiscal year.

The aforesaid annual reports, interim reports and quarterly reports shall be formulated pursuant to the provisions of the relevant laws, administrative regulations and provisions of the CSRC and the stock exchanges where the Company's shares are listed.

**Article 235** The Board of Directors shall present the shareholders at each shareholders' general meeting such financial reports as relevant laws, rules, administrative regulations and regulatory documents and listing rules of the place where the Company's shares are listed required and prepared by the Company.

**Article 236** The financial reports of the Company shall be placed in the Company and made available for inspection by shareholders in 20 days prior to an annual general meeting. Each shareholder of the Company shall have the right to obtain the financial reports referred to in this chapter.

Except as otherwise provided in this Articles of Association, the Company shall deliver or post the aforementioned report or the annual report of the Company containing the aforementioned financial report to the registered address of each H shareholder at least 21 days before the annual meeting of the general meeting of shareholders. If the securities regulatory authority where the Company's shares are listed has other regulations, those regulations shall prevail.

**Article 237** The Company's annual financial reports and interim financial reports for interim profit distribution shall include the following contents:

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

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

**Article 238** Except for statutory accounts books, the Company shall not establish additional accounting books. The Company's assets shall not be deposited in any account opened in the name of any individual.

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

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

When the Company's statutory reserve attains above 50% of the registered capital of the Company, the Company may cease to make such withdraw. After withdrawing the statutory reserve, the shareholders' general meeting may decide on whether to draw discretionary reserve. When the Company's reserves are used to make up for its losses, the Company shall first use its discretionary reserve and statutory reserve; if the Company still cannot make up for the losses, it may use its capital reserve in accordance with the regulations. The Company shall not distribute dividends to shareholders before making up the Company's losses and drawing the statutory reserve.

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

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

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

**Article 239** The shares of the Company held by the Company shall not participate in the distribution of profits.

**Article 240** The Company's reserves shall be used for making up for the losses of the Company, expanding the Company's manufacturing and business operations or being converted to the Company's additional capital. However, the capital reserve shall not be used to make up for the losses of the Company. Where the statutory reserve is converted to capital, the remaining reserve shall not be less than 25% of the Company's registered capital prior to the conversion.

The capital reserve shall include the following funds:

- (1) the premiums obtained from the issue of shares in excess of the par value;
- (2) other revenue required by the State Council's department in charge of finance to be included in the capital reserve.

**Article 241** Upon passing of a resolution on profit distribution scheme of the Company by the shareholders' general meeting, the Board of Directors shall complete the distribution of dividends (or shares) within 2 months after the convening of the shareholders' general meeting.

**Article 242** The Company shall implement an active profit distribution method:

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

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

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

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

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

- (a) The Board of Directors needs to make decisions on the matters such as profit distribution and capitalization of capital reserves. When examining the specific proposal of cash dividends, the Board of Directors shall carefully study and demonstrate the timing, conditions and minimum proportion of cash dividends, the conditions for adjustment and the requirements for decision-making procedures. The Independent directors shall be entitled to express their independent opinions if they believe that the specific proposal of cash dividends may jeopardize the interests of the Company or the small and medium-sized shareholders. If the Board of Directors fails to adopt the opinion of the independent directors or fails to adopt it in full, it shall record the opinion of the independent directors and the specific reasons for not adopting it in the resolution of the Board of Directors and make disclosures.

- (b) When an annual general meeting of the Company is convened to consider the annual profit distribution plan, it may consider and approve the conditions, the ratio cap and amount cap of next year's interim cash dividends. The cap of next year's interim dividend to be considered at the annual general meeting shall not exceed the net profit attributable to shareholders of the Company for the corresponding period. The Board of Directors shall formulate a specific proposal of interim dividends in accordance with the resolution of the shareholders' general meeting subject to the conditions for profit distribution.
- (c) When examining the specific proposal of cash dividends, the shareholders' general meeting shall, through various channels, actively communicate and exchange views with shareholders especially small and medium-sized shareholders, fully listen to the opinions and requests of, and promptly respond to the concerns of small and medium-sized shareholders. The profit distribution proposal shall be approved by more than two-thirds of the voting rights held by shareholders attending the shareholders' general meeting.
- (3) Where the Company made profit in the previous fiscal year but the Board of Directors has not made a plan for cash profit distribution, it shall disclose the reasons for not making cash dividends distribution and the use of funds undistributed but retained in the Company in periodical reports, as well as the next steps to be taken to enhance the level of investor returns. When a shareholders' general meeting is held for examination thereon, the Board of Directors shall make statements to the shareholders' general meeting. If the Company does not make cash profit distribution in the recent three consecutive years, it may not conduct the issuance of new shares or convertible bonds to the public or placement of shares to existing shareholders.
- (4) Where the profit distribution policy of the Company provided in the Articles of Association needs to be amended according to the production and operating conditions or the need for an investment plan or a long-term development, the Board of Directors of the Company shall put forward a proposal for amendment to profit distribution policy based on actual conditions, listen to the opinions of independent directors actively and fully, meanwhile, communicate and exchange views with small and medium-sized shareholders through various channels and seek for the opinions and requests of small and medium-sized shareholders. Such amendment to profit distribution policy shall be approved by the shareholders' general meeting through a special resolution. The amended profit distribution policy shall take the protection of shareholders' interests as the starting point and shall not violate the relevant stipulations of the CSRC and the stock exchange.
- (5) Where a shareholder illegally occupies the funds of the listed company, listed company shall deduct the cash bonuses to be distributed to such shareholder accordingly to recover the funds such shareholder occupies.

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

**Article 243** The payment of stock dividends, cash dividends and other payables by the Company to shareholders shall be announced in RMB. Dividends on domestic shares shall be paid in RMB; dividends in foreign shares shall be paid in foreign currency. The dividends paid by the Company to the shareholders of foreign shares shall be paid in the currency of the place where the foreign shares are listed.

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

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

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

## **Section 2 Internal Audit**

**Article 244** The Company shall implement internal audit system and employ full-time audit personnel to carry out internal audit and supervision on the Company's financial revenue and expenditure and economic activities.

**Article 245** The internal audit system of the Company and the duties of audit personnel shall be implemented upon approval by the Board of Directors. The person in charge of audit shall be accountable and report to the Board of Directors.

### **Section 3 Engagement of Accounting Firm**

**Article 246** The Company shall appoint an independent accounting firm that complies with relevant State regulations and regulatory provisions of the place where the Company's shares are listed to audit its accounting statements, verify its net assets and provide other relevant advisory services. The term of employment of an accounting firm employed by the Company shall be between the end of the annual general meeting of the Company and the end of the next annual general meeting and the term of employment may be renewable upon expiry of the term of employment.

**Article 247** The accounting firm employed by the Company to perform regular statutory audits of its financial statements must be considered and approved by the audit committee before submitting to the Board of Directors for consideration and decided by the shareholders' general meeting, and the Board of Directors shall not appoint an accounting firm prior to the decision by the shareholders' general meeting.

**Article 248** An accounting firm employed by the Company shall have the following rights:

- (1) the right to the access to the account books, records or vouchers of the Company and the right to require directors, the president and other senior management of the Company to provide the relevant information and explanations;
- (2) the right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties;
- (3) the right to attend shareholders' meeting, to receive a notice or other information concerning any meetings of or concerning which shareholders have a right to receive a notice or other information, and to be heard at any shareholders' meetings on any matter which relates to it as the accounting firm of the Company.

**Article 249** If the position of accounting firm becomes vacant, the Board of Directors may appoint an accounting firm to fill such vacancy before a shareholders' general meeting is held. However, if there are other accounting firms holding the position of accounting firm of the Company while such vacancy still exists, such accounting firms shall continue to act.

**Article 250** The shareholders' general meeting may, by means of an ordinary resolution, dismiss such accounting firm prior to the expiration of its term of employment, notwithstanding the terms in the contract between the accounting firm and the Company, but without prejudice to such accounting firm's right, if any, to claim damages from the Company in respect of such dismissal.

**Article 251** The remuneration or method of determining the remuneration of an accounting firm shall be decided upon by the shareholders' general meeting. The remuneration of an accounting firm employed by the Board of Directors shall be determined by the Board of Directors.

**Article 252** The Company shall undertake that the accounting vouchers, accounts books, financial accounting reports and any other accounting materials that it provides to the accounting firm are true and complete and it shall not refuse to provide information or conceal information or provide false information.

**Article 253** The appointment, dismissal or non-renewal by the Company of an accounting firm that conducts regular statutory audits of the Company's financial statements shall be decided by the shareholders' general meeting and reported to the relevant securities authorities for the record (if applicable).

**Article 254** In the event of termination of appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm promptly after the resolution is made by the Board of the Directors; where the Company's shareholders' general meeting votes on termination of appointment of, or a resignation was tendered by, an accounting firm, the accounting firm may make its representation.

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

## **CHAPTER 10 NOTICES AND ANNOUNCEMENTS**

### **Section 1 Notices**

**Article 255** A notice of the Company shall be sent by the following means:

- (1) by personal delivery;
- (2) by mail;
- (3) by announcement;
- (4) by any other means recognized by relevant regulatory authorities of the place where the Company's shares are listed, or stipulated in the Articles of Association.



As for providing or sending corporate communications to holders of foreign shares, according to the listing rules of the place where the Company's shares are listed, subject to the laws and regulations and listing rules of the place where the Company's shares are listed as well as these Articles, corporate communications may be provided or sent to holders of foreign shares by posting on the websites designated by the Company and the securities regulatory authority where the Company's shares are listed or by electronic means.

Corporate communications referred to in the preceding paragraph shall mean any document issued or to be issued by the Company for the information or action of the holders of foreign shares or other person as required by the listing rules of the place where the Company's shares are listed, including but not limited to:

- (I) the Company's annual reports, including report of the board of directors, annual financial statements, auditors' report and financial summary of the Company (if applicable);
- (II) interim report and summary of interim report of the Company (if applicable);
- (III) notices of meetings;
- (IV) listing documents;
- (V) circulars;
- (VI) proxy forms (as defined in the listing rules of the stock exchange where the shares of the Company are listed).

When giving notice in the form of public notice in exercise of the powers prescribed in these Articles, such notice shall be published in the manner prescribed in the listing rules of the place where the Company's shares are listed.

The Company may only deliver the English version or the Chinese version (according to the intention expressed by the shareholder) of any relevant document of the Company within the scope permitted in any applicable law or regulation and in accordance therewith if the Company is required in the listing regulations at the place where the stock of the Company is listed to deliver, mail, distribute, issue or publish both the English and Chinese versions of any such document or provide any such documents in any other way, and if the Company has made appropriate arrangements to determine whether a shareholder wishes to receive only the English version or only the Chinese version of any such document.

**Article 256** Notice given by a company in the form of public announcement shall be deemed to have been received by all relevant personnel after the relevant procedures prescribed in the listing rules of the place where the company's shares are listed have been fulfilled. Where there are other provisions in the listing rules of the place where the company's stocks are listed, such provisions shall apply.

**Article 257** The notice of convening of a shareholders' general meeting of the Company shall be made by announcement.

**Article 258** The notice of convening of a board meeting of the Company shall be made by mail, telephone, fax or email.

**Article 259** The notice of convening of a meeting of Board of Supervisors of the Company shall be made by mail, telephone, fax or email.

**Article 260** Where a notice is sent by personal delivery and the addressee signs (or affixes seal) on the acknowledge receipt, the date of signature by the addressee shall be the date of service; where a notice is sent by mail, the date of service shall be the 3rd working day after being posted at the post office; where a notice is sent by telephone, the date of service shall be the date of completion of such telephone call; where a notice is served by email, the date of service shall be the date when the email is sent out; and where a notice is served by means of announcement, the date of service shall be the date on which the first announcement is published.

**Article 261** Where a notice of meeting is not delivered to persons who have the right to receive the notice or such persons do not receive the notice of meeting due to accidental omission, the meeting and the resolutions passed by the meeting shall not be rendered invalid as a result thereof.

## **Section 2 Announcements**

**Article 262** The Company issues announcements and information disclosure to shareholders of domestic shares through the stock exchange's website and media satisfying the requirements prescribed by securities regulatory authority under the State Council. If an announcement should be issued to shareholders of foreign shares according to the Company's Articles of Association, the relevant announcement shall also be published in accordance with the method stipulated in the listing rules of the place where the Company's shares are listed.

The information disclosed by the Company in other public media shall not precede designated newspapers and designated websites, and shall not replace the Company's announcements in other forms such as press releases or answering questions from reporters.

The Board of Directors has the right to adjust the newspapers and periodicals for Company's information disclosure, but should ensure that the designated newspapers and periodicals for information disclosure comply with the relevant laws and regulations and the qualifications and conditions stipulated by the securities regulatory authorities and Stock Exchanges where the Company's shares are listed.

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

### **Section 1 Merger, Division, Increase and Decrease of Capital**

**Article 263** The Company may conduct merger or division according to law. The plan for merger or division of the Company shall be prepared by the Board of Directors. After such plan has been adopted in accordance with the procedures stipulated in the Articles of Association, relevant examination and approval procedures shall be carried out according to law. Shareholders who oppose to the plan of merger or division of the Company shall be entitled to require the Company or the shareholders who agree to the plan to purchase their shares at a fair price. The resolutions approving the merger or division of the Company shall be compiled into a special document and made available for inspection by shareholders.

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

**Article 264** Merger or division of the Company shall be conducted according to the following procedures:

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

For shareholders of H-share, the aforesaid documents shall also be notified or announced in the manner prescribed in the Articles of Association.

**Article 265** In the event of merger, the parties to the merger shall enter into a merger agreement and prepare balance sheet and asset list. The Company shall notify its creditors within 10 days from the date on which the merger resolution is adopted and make an announcement on a newspaper or the National Enterprise Credit Information Publicity System within 30 days. Creditors may require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

**Article 266** Upon completion of the merger, the existing company or the newly-incorporated company shall assume the credits and debts of all parties to the merger.

**Article 267** In the event of division, the Company's assets shall be divided accordingly.

In the event of division, the parties to the division shall enter into a division agreement and the Company shall prepare balance sheet and asset list. The Company shall notify its creditors within 10 days from the date on which the division resolution is adopted and make an announcement on a newspaper or the National Enterprise Credit Information Publicity System within 30 days.

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

**Article 268** If the Company needs to reduce its registered capital, it shall prepare balance sheet and asset list.

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

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

**Article 269** Where the merger or division of the Company involves changes in its registered particulars, such changes shall be filed with competent company registration authorities pursuant to the law. Where the Company is dissolved, it shall cancel its registration pursuant to the law. Where a new company is incorporated, its incorporation shall be registered pursuant to the law.

**Article 270** If the Company increases or reduces its registered capital, it shall file for change registration formalities with competent company registration authorities pursuant to the law.

## **Section 2 Dissolution and Liquidation**

**Article 271** The Company shall be dissolved and liquidated under any of the following conditions:

- (1) upon expiry of term of business stipulated in the Articles of Association or occurrence of any other circumstances of dissolution stipulated in the Articles of Association;
- (2) the shareholders' general meeting has resolved on dissolution of the Company;
- (3) dissolution is necessary due to a merger or division of the Company;
- (4) the Company's business license is cancelled pursuant to the law, or the Company is ordered to be closed down or revoked pursuant to the law;
- (5) the Company has serious difficulties in its business operation and its subsistence will cause serious damages to the interests of its shareholders. The Company is unable to resolve such difficulties through any other means, the shareholders holding 10% or more of the voting rights of the Company may apply to the competent people's court for dissolution of the Company.

**Article 272** Under the circumstances set out in Item (1) of Article 271 of the Articles of Association, the Company may continue to exist through amendment of the Articles of Association.

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

**Article 273** If the Company is dissolved pursuant to Item (1), Item (2), Item (4) and Item (5) of Article 271 of the Articles of Association, it shall establish a liquidation committee and commence liquidation within 15 days from occurrence of the cause of dissolution. The liquidation committee shall comprise persons determined by the ordinary resolution of shareholders' general meeting. Where the liquidation committee is not established within the stipulated period, the creditors may apply to the people's court to designate the relevant persons to form a liquidation committee to commence liquidation.

**Article 274** During the liquidation period, the liquidation team shall exercise the following functions and duties:

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

**Article 275** The liquidation committee shall notify the creditors within 10 days from the date of its establishment and make an announcement on a newspaper or the National Enterprise Credit Information Publicity System within 60 days. The creditors shall declare their creditor's rights to the liquidation committee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

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

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

**Article 276** Having thoroughly examined the assets of the Company and prepared the balance sheet and asset list, the liquidation committee shall formulate a liquidation plan and submit it to the shareholders' general meeting or the people's court for confirmation.

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

**Article 277** Upon thorough examination of the Company's asset and preparation of the balance sheet and asset list, where the liquidation committee discovers that the Company's asset are insufficient to pay its debts in full, it shall apply to the people's court for declaration of bankruptcy pursuant to the law. Upon declaration of the Company's bankruptcy pursuant to the ruling of the people's court, the liquidation committee shall hand over the liquidation matters to the people's court.

**Article 278** Upon completion of liquidation, the liquidation committee shall prepare liquidation report and submit the same to the shareholders' general meeting or the people's court for confirmation. Within 30 days from the date of confirmation of the above-mentioned documents by the relevant authorities in charge, the liquidation committee shall submit the aforesaid documents to company registration authorities and apply for deregistration and make an announcement on termination of the Company.

**Article 279** Members of the liquidation committee shall be dedicated to their duties and perform liquidation obligations pursuant to the law. Members of the liquidation committee shall not make use of their powers and functions to accept bribes or any other illegal income and shall not encroach upon the Company's assets. A member of the liquidation committee who causes the Company or its creditors to suffer losses intentionally by gross negligence shall be liable for compensation.

**Article 280** If the Company is declared bankrupt pursuant to the law, it shall conduct bankruptcy liquidation pursuant to the laws in connection with enterprise bankruptcy.

## **CHAPTER 12 AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**Article 281** According to the regulations of laws, administrative regulations and the Articles of Association, the Company may amend the Articles of Association.

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

- (I) upon revision of the Company Law or the relevant laws, administrative regulations and listing rules of the place where the Company's shares are listed contradict the stipulations of the revised laws, administrative regulations and listing rules of the place where the Company's shares are listed;
- (II) the Company's situation has changed and is inconsistent with the items recorded in the Articles of Association;
- (III) the shareholders' general meeting has decided on making amendments to the Articles of Association.

**Article 282** Where any amendment to the Articles of Association resolved by the shareholders' general meeting is subject to review and approval of competent authorities, the amendment shall be submitted to the competent authorities for approval; where company registration matters are involved, change registration formalities shall be filed pursuant to the law.

**Article 283** The Board of Directors shall amend the Articles of Association pursuant to the resolution of the shareholders' general meeting on amendment of the Articles of Association and the review and approval opinion of competent authorities.

**Article 284** Where amendment to the Articles of Association should be disclosed as required by laws and regulations, and an announcement shall be made pursuant to regulations.

**Article 285** Where amendment to the Articles of Association Involves registration of the Company's information, relevant change registration formalities shall be completed pursuant to the law (if applicable).

### **CHAPTER 13 SETTLEMENT OF DISPUTE**

**Article 286** The Company shall abide by the following dispute resolution procedures:

- (I) If any disputes or claims related to the Company's business based on the rights or obligations provided in the Articles of Association, contracts entered into under the relevant provisions of the Articles of Association, the Company Law and other relevant laws or administrative regulations arise between the holders of foreign shares and the Company, between the holders of foreign shares and the directors, supervisors, president, or other senior executives of the Company or between the holders of foreign shares and holders of domestic shares, the parties concerned shall submit the dispute or claim for arbitration.

When a dispute or claim as described above is submitted for arbitration, such dispute or claim shall be in its entirety, and all persons (being the Company or shareholders, directors, supervisors, the president or other senior executives of the Company) that have a cause of action due to the same facts or whose participation is necessary for the settlement of such dispute or claim shall abide by arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

- (II) a dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic and Trade Arbitration Commission to arbitrate in Qingdao in accordance with its arbitration rules or the Hong Kong International Arbitration Center in



accordance with its securities arbitration rules, After the arbitration applicant has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center;

- (III) unless otherwise provided by laws or administrative regulations, the laws of the PRC shall apply to the settlement by means of arbitration of disputes or claims referred to in item (1);
- (IV) the award of the arbitration institution shall be final and binding upon each party;
- (V) This arbitration agreement is agreed between the directors, supervisors or senior officers of the Company and the Company on behalf of both itself and each shareholder; and
- (VI) Any arbitration submitted shall be deemed to authorize the tribunal to hear in public and publish its award.

## **CHAPTER 14 SUPPLEMENTARY ARTICLES**

### **Article 287** Definitions

- (1) De facto controller indicates person who is not a shareholder of the Company but is able to exert actual control over the Company through investor relations, agreement or any other arrangements.
- (2) Related relation indicates relationships between the Company's controlling shareholders, de facto controller, directors, supervisors, senior management and the enterprises directly or indirectly controlled by them as well as any other relationships which may result in transfer of interests of the Company. However, enterprises in which the State holds controlling stake shall not be deemed to have related-party relations because they are under common control of the State.

**Article 288** Matters not covered herein shall be handled in accordance with the laws, regulations, supervisory rules promulgated by the State, the Rules Governing the Listing of Stock on the Shanghai Stock Exchange or relating listing regulations of Frankfurt Stock Exchange and Hong Kong Listing Rules. Where the Article of Associations is in conflict with future laws, regulations, supervisory rules promulgated by the State, the Rules Governing the Listing of Stock on the Shanghai Stock Exchange or relating listing regulations of Frankfurt Stock Exchange and Hong Kong Listing Rules, the latest supervisory rules promulgated by the State, the Listing Rules of Shanghai Stock Exchange or relating listing regulations of Frankfurt Stock Exchange, Hong Kong Listing Rules shall prevail.

**Article 289** The Board of Directors may formulate detailed rules for the Articles of Association pursuant to the provisions of the Articles of Association. The detailed rules for the Articles of Association shall not contradict the provisions of the Articles of Association.

**Article 290** All notices or other documents to be delivered to the Stock Exchange of Hong Kong by the Company shall be in English or accompanied by a signed certified English translation.

**Article 291** The definition of “accounting firm” in the Articles of Association is the same as that of “auditor” in the Hong Kong Listing Rules.

**Article 292** The Articles of Association is written in Chinese; where there is any discrepancy between the Chinese version of the Articles of Association and the version of any other language, the latest Chinese version of the Articles of Association approved and registered with Qingdao Market Supervision and Regulation Department shall prevail.

**Article 293** The terms “above”, “within” and “below” referred to in the Articles of Association shall include the numeral referred thereto; the terms “not exceeding”, “except”, “less than” and “more than” shall exclude the numeral referred thereto. The term “working day” as mentioned in the Articles of Association refers to the statutory working day stipulated by the State Council, including the Saturdays or Sundays declared by the State Council as a temporary working day (“adjusted rest day”), but excluding Saturdays or Sundays outside statutory holidays and adjusted rest days. The “transaction day” referred to in the Articles of Association refers to every Monday to Friday, excluding statutory holidays and adjusted rest days. The “business day” referred to in the Articles of Association refers to the day when the Hong Kong Stock Exchange opens for securities trading.

**Article 294** The Articles of Association shall come into force on the date when it is considered and approved by the general meeting of shareholders of the Company. The original Articles of Association of the Company and all amendment thereto shall automatically become invalid upon the date when the Articles of Association become effective.

**Article 295** The Board of Directors of the Company shall be responsible for the interpretation of the Articles of Association.

**Article 296** The appendices to the Articles of Association shall include the Rules of Procedure for General Meetings, the Rules of Procedure for Board of Directors and the Rules of Procedure for Board of Supervisors.

Haier Smart Home Co., Ltd.  
20 June 2024