ARTICLES OF ASSOCIATION

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of

HARBIN ELECTRIC COMPANY LIMITED

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ARTICLES OF ASSOCIATION OF

HARBIN ELECTRIC COMPANY LIMITED

Approved for adoption by the Shareholders General Meeting on Nov 10, 1994; approved for revision by a written resolution of the shareholders on Nov 23, 1994; approved for revision by 1994 Shareholders Annual General Meeting on Jun 30, 1995; approved for revision by 1995 Shareholders Annual General Meeting on Jun 28, 1996; approved for revision by the Provisional Shareholders General Meeting on Sep 23, 1997; approved for revision by 1997 Shareholders Annual General Meeting on Jun 26, 1998; approved for revision by the Provisional Shareholders General Meeting on Sep 28, 2000; approved for revision by 2002 Shareholders Annual General Meeting on Jun 20, 2003; approved for revision by 2004 Shareholders Annual General Meeting on Jun 13, 2005; on Dec 22, 2005, approved for revision by the Board of Directors on basis of the authorization in the 2004 Shareholders Annual General Meeting; approved for revision by 2005 Shareholders Annual General Meeting on Jun 16, 2006; on April 20, 2007, approved for revision by the Board of Directors on basis of the authorization in the 2006 Shareholders Annual General Meeting; approved for revision by 2010 Shareholders Annual General Meeting on May 13, 2011; approved for revision by the Annual

General Meeting on May 10, 2013 approved for revision by the Extraordinary General Meeting on Jan 29, 2016 approved for revision by the Extraordinary General Meeting on Dec 1, 2017; approved for revision by the Extraordinary General Meeting, the H Shares Class Meeting and the Domestic Shares Class Meeting on April 9, 2020; revised on basis of the resolution of the Extraordinary General Meeting held on April 12, 2023

CHAPTER 1 GENERAL PROVISIONS

1. The Company is a joint stock limited company established in accordance with the Company Law of China and the Special Regulations on Overseas Listing of Shares by Joint Stock Limited Companies and other administrative regulations of the PRC.

2. The registered Chinese name of the Company:

The English name of the Company:

Harbin Electric Company Limited

The legal representative of the Company:

The chairman of the Company

The legal address of the Company:

1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, t

(Postal code: 150028, Telephone No.: (0451)82135727)

3. Upon the approval of the State Commission for Restructuring the Economic Systems under document number Ti Gai Sheng (1994) No. 109, the Company was established on 29th September, 1994 by promotion method, was registered with the Harbin Municipality

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to the shares held by them. The Company shall be liable for its debts to the extent of all its assets.

for Companies Listing Overseas shall not be amended or abrogated.

10. These Article shall be effective upon approval by special resolution of its shareholders general meeting and the relevant supervisory

of the Company.

initiation of proceedings in court and applying to arbitration tribunals to commence arbitration proceedings.

CHAPTER 2- OBJECTS AND SCOPE OF OPERATIONS

11. operations: to utilize public capital from within or outside PRC, to enhance technology, to develop production capacity, to extensively develop market, focusing on quality, aiming at efficiency, integrating advanced scientific management and flexible production policies, so as to ensure that the shareholders of the Company obtain reasonable economic benefits.

12. projects as main contractor for thermoelectric, hydroelectric, nuclear power stations within and outside the country, and construction of full set equipment within and outside the country, and to supply engineering labor force; to manufacture and sell power plant equipment and its related facilities, pressurized

containers and machinery/electrical equipment; to provide power plant engineering project technological consultancy, services, transfer; to engage in providing intermediary services; to engage in the business of a raw materials and related parts as import and export agent, domestic trading (except in respect of those items subject to specific PRC regulations); to engage in the business of a materials supplier; Operation of port facilities, passenger transport services, cargo handling within the port area, lightering, warehousing management, ship and port services, leasing business on port machinery, facilities, equipment, etc.; operating by itself or acting as the agent of all kinds of goods import and export business, excluding the national franchised import and export commodities and the commodities prohibited by the country to import; Engaging

counter trade and transit trade.

The Company shall carry on its operational activities within the registered scope of operations.

The Company may change its scope of operation upon amendment of these Articles in accordance with law and registration of the change

by the companies registration authorities.

CHAPTER 3 SHARES, ASSIGNMENT OF SHARES AND REGISTERED CAPITAL

13. The Company shall at all times have ordinary shares. The Company may, in accordance with its needs and upon approval by the companies supervisory department authorized by the State Council, create other types of shares.

14 The Company may issue shares to foreign investors and domestic investors upon approval of the companies supervisory department authorized by the State Council.

overseas investors who subscribe for shares issued by the Company and investors from the territories of Hong Kong, Macau and Taiwan;

Republic of China other than from the aforesaid territories.

Of the total number of shares specified in an issue plan, if the

Company issues overseas listed foreign shares and domestic shares respectively, there shall be one issue for each type of shares. Where there are extraordinary circumstances, multiple issues may be made subject to the approval of the State Council Securities Commission. The board of directors of the Company may make arrangements for the implementation for separate issues upon the approval of the plan to issue overseas listed foreign shares and domestic shares by the securities supervisory authority of the State Council.

The Company shall implement its plan to issue overseas listed foreign shares and domestic shares separately within 15 months of the date of approval by the State Council Securities Commission.

The shares issued by the Company to domestic investors which are

16. Upon the approval of the companies supervisory department authorized by the State Council, the total number of ordinary shares which may be issued by the Company is 2,236,276,000 shares, the nominal value of each share being RMB1.00, of which:

(i) when the Company was founded, 720,000,000 domestic shares were issued to the promoter, in the share-increasing process in December 2005, after the promoter reduced the holding of 8,530,000 domestic shares, the quantity held by it was left with 711,470,000 domestic shares, accounting for 55.83% of the total quantity of shares of the Company; in the share-increasing process in March 2007, after the promoter reduced the holding of 12,235,000 domestic shares, the quantity held by it was left with 702,235,000 domestic shares, accounting for 50.39% of the total quantity of shares of the Company; in the share-increasing process in 2017, after the promoter increased the holding of 329,717,000 domestic shares, the quantity held by it was increased to 1,030,952,000 domestic shares, accounting for 46.10% of the total quantity of shares of the Company; in the share-increasing process in 2023, after the promoter increased the holding of 529,753,000 domestic shares, the quantity held by it was

increased to 1,560,705,000 domestic shares, accounting for 69.79% of the total quantity of shares of the Company;

(ii) after the Company was founded, it issued 469,151,000 overseas listed foreign shares. In December 2005, it increased 93,830,000 overseas listed foreign shares, the total quantity of overseas listed foreign shares reached

shares and overseas listed foreign shareholders hold 675,571,000 overseas listed foreign shares.

17. The registered capital of the Company is RMB2,236,276,000. The Company may, based on its business development requirement, increase its capital in accordance with the relevant provisions of these Articles. The following methods may be adopted for an increase in capital:

(1) by offering new shares to unspecified investors;

(2) by placing new shares to existing shareholders;

(3) by bonus issue of shares to existing shareholders; or

(4) by any other method permitted by PRC laws and administrative regulations.

18. When the Company increases its capital and issues new

properties.

The Company shall notify its creditors within 10 days from the date of the resolution to reduce its registered capital, and shall make a public announcement in newspapers within 30 days thereof. The creditors shall have the right, within 30 days of receipt of the notice or within 45 days of the date of the public announcement if the notice has not been received, to require the Company to pay up its debts or provide corresponding security for payment of the debt.

The registered capital of the Company after capital reduction shall not be lower than the lowest limit prescribed by law.

20. Following any increase or reduction in capital, the Company shall register such change with the companies registration authority and issue a public announcement.

21. Unless otherwise prescribed by PRC law and administrative regulations, the shares of the Company are freely tradable and are free all lines.

22. The Company shall not exercise any power to freeze or otherwise

impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

23. Domestic shares may, upon the approval of the board of directors and the relevant governmental authorities, be listed on stock exchanges within the PRC. Overseas listed foreign shares shall be listed on the Exchange or other stock exchange outside the PRC.

24. (1) All transfers of overseas listed foreign shares shall be effected by a transfer in writing in the usual or common form or in such other form as the board of directors may accept, and may be under hand only and there is no need to affix a chop on it.

(2) All fully paid up overseas listed foreign shares listed in Hong Kong are freely transferable in accordance with these Articles, but the board of directors may refuse to recognize any transfer document, unless:

(i) a fee of HK$2, or such higher amount as may from time to time be agreed by the Exchange, or such lesser sum as the board of directors may from time to time require, is paid to the Company for the purpose of registering any transfer or other document relating to

the ownership of the shares in question or the change of ownership of those shares;

(ii) the transfer document relates only to overseas listed foreign shares listed Hong Kong;

(iii) stamp duty payable on the transfer document has been paid;

(iv) the relevant share certificates and such other evidence as the board of directors may reasonably require to show the right of the transferor to make the transfer have been lodged with the Company;

Company must ensure that no other declaration has been received from any person other than the applicant seeking to be registered as a shareholder in respect of those shares.

(3) If the Company is prepared to issue a replacement share certificate to the applicant, it shall make an announcement of such intention at least once every 30 days in a period of 90 days prior to the issue in such publications as may be prescribed by the board of directors for this purpose. The prescribed publications shall be one Chinese and one English publication in Hong Kong.

(4) In order to render an announcement under paragraph (3) above effective, the Company shall, prior to publication of the announcement:

(a) deliver to the stock exchange on which the relevant shares are listed a copy of the announcement to be published under paragraph (2) of this Article and receive a reply from such stock exchange confirming that the announcement proposed to be published is being exhibited on the stock exchange and will continue to be exhibited until the expiry of the 90-day announcement period referred to above; and

(b) in the case of an application made without the consent

of the registered holder of the relevant shares, the Company shall send to such registered shareholder by post a copy of the announcement proposed to be published.

(5) If, by the expiration of the 90-day period referred to in paragraphs (3), (4) of this Article, the Company shall not have received any objection to the issue of the replacement share certificate, the Company may issue a new share certificate for the relevant shares to the applicant or to such person as he may direct.

(6) When the Company issues a new share certificate under this Article, it shall forthwith cancel the original certificate and enter the details of the cancellation and replacement issue in the register of shareholders.

(7) After the Company has issued a new replacement share certificate in accordance with this Article:

the name of a bona fide purchaser who obtains the new share certificate or a person whose name is subsequently entered in the register of shareholders in respect of the relevant shares (if a bona fide purchaser) shall not be removed from the register of shareholders; and

the Company shall not be liable for any damages suffered by any person by reason of the cancellation of the original certificate or the issuance of the new share certificate, unless the claimant proves that the Company had acted fraudulently.

8 All expenses of the Company relating to the cancellation of an original certificate and the issuance of a new share certificate shall be borne by the applicant. The Company is entitled to refuse to take any action before reasonable security is provided by the applicant in respect of those expenses.

CHAPTER 5 REPURCHASE OF SHARES

28. The Company may, upon obtaining approval in accordance with these Articles and the approval of the relevant PRC supervisory authorities, repurchase its issued shares in the following circumstances:

(1) to cancel its shares for the purpose of reducing its share capital

(2) to merge with anothe

(3) under other circumstances permitted by law and administrative regulations.

29. The Company may upon obtaining the approval of the relevant PRC supervisory authorities repurchase its own shares by one of the following methods:

(1) by way of an offer to repurchase in the same proportions made to all the shareholders;

(2) by repurchasing those shares on a stock exchange by public transaction method; or

(3) by entering into an off-market agreement to repurchase.

30. When the Company repurchase its own shares by an off-market agreement it shall obtain the prior approval of the shareholders in a shareholders general meeting in accordance with these Articles. If prior approval of the shareholders is given in such manner, the Company may release or vary any contract so entered into by the Company or waive its rights thereunder. A contract to repurchase shares includes (but is not limited to) a contract to assume of the Company.

31. The Company shall not assign an agreement for the repurchase of its

amount paid out of the proceeds of the issue of new shares shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the amount in the share premium account (or capital reserve fund) of the Company (including the premiums of the new shares issued);

(3) the monies paid by the Company for the following purposes shall -

( ) the acquisition of the right to repurchase its own shares;

( ) the variation of the agreement to repurchase its shares; or

( ) the release of any of its obligations under any agreement to repurchase;

(4) the amount paid out of the distributable profits of the Company for the repurchase of shares shall., after deduction from the

account (or capital reserve fund) of the Company.

33. Shares lawfully repurchased by the Company shall be cancelled within the time limit prescribed by law or administrative regulations and an application shall be made to the original companies registration authority to change the registration of the register

aggregate nominal value of the cancelled shares.

CHAPTER 6 FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES

34. The Company and its subsidiaries shall not in any way provide any financial assistance to a person who purchases or proposes to

release or waiver;

( ) the provision of a loan or entering into a contract under which the obligations of the Company are to be fulfilled before the obligations of the parties; or the change of any party to that loan or contract, or the assignment of rights under the loan or contract; and

( ) financial assistance given by any other method when the Company is unable to pay its debts or has no net assets or when its net assets may be reduced to a material extent.

For the purpose of this chapter, the meanin

includes obligations assumed by the obligor as a result of entering into

that financial assistance is not to acquire shares in the Company, or that financial assistance is an incidental part of a certain larger overall plan of the Company;

(2) the Company lawfully distributing its assets by way of dividend;

(3) the allotment of bonus shares;

(4) a reduction of the registered capital, repurchase of shares, reorganization of the share capital effected in accordance with these Articles;

(5) the lending of money by the Company within its scope of operations in the ordinary course of its business, provided that the assets are thereby reduced, that financial assistance is provided out of distributable profits of the Company;

(6) the provision of moneys by the Company for contributions to assets are not thereby reduced or, to the extent that those assets are thereby reduced, that financial assistance is provided out of distributable profits of the Company.

CHAPTER 7 RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

37. A shareholder of the Company is a person who holds shares of the

Company lawfully and whose name is entered in the register of shareholders.

A shareholder shall enjoy the rights and assume the obligations attached to the class and number of shares held; shareholders holding the same class of shares shall be entitled to the same rights and assume the same obligations accordingly.

38. The holders of ordinary shares of the Company shall enjoy the following rights;-

(1) to receive dividends and other distribution in proportion to the number of shares held by them;

(2) to attend or appoint a proxy to attend on their behalf shareholders general meetings and to vote;

(3) to supervise the business operational activities of the Company, to make suggestions or raise queries;

(4) to transfer their shares in accordance with the relevant laws and administrative regulations and these Articles;

(5) to receive such information prescribe in these Articles including;

the right to a copy of these Articles upon payment of the cost thereof;

the right to inspect and copy upon payment of reasona

charges:

( ) all parts of the register of shareholders;

(7) other rights conferred by the Articles and relevant PRC laws and administrative regulations

39. The holders of ordinary shares of the Company shall assume the following obligations:

(1) to abide by these Articles;

(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(3) other obligations imposed by laws, administrative regulations and these Articles.

Save in respect of terms agreed upon subscription of shares, a shareholder shall not be liable to subscribe for further share capital.

40. If any person obtains shares in the Company by virtue of the death or bankruptcy of another person, he may, in accordance with the relevant PRC laws and regulations, produce evidence and apply to the Company to register himself or any other specified person as the shareholder of the Company, and the Company shall be entitled to accept or reject that application in accordance with these Articles. That person shall be entitled, upon registration as shareholder in accordance with this Article, to such dividends to which he would have been

entitled at the time he should have become a shareholder. If the Company refuses to register any person as a shareholder in accordance with these Articles, it shall give written notice to that person, stating

be registered.

be the register of all shareholders other than those registered in accordance with paragraphs (2) and (3) of this Article;

(2) the register of holders of overseas listed foreign shares listed in Hong Kong, the original of which shall be kept in Hong Kong and maintained by an agent in Hong Kong; and

(3) such parts in such other places as the board of directors may deem necessary for listing purposes.

The Company may, in accordance with the understandings and agreements reached between the securities supervisory authorities of the State Council and overseas securities supervisory authorities, place the register of holders of overseas listed foreign shares overseas, and appoint an overseas agent to maintain that register. Duplicates shall be made of the register of shareholders maintained pursuant to paragraphs (2) and (3) of this Article and shall be maintained at the

at all times that the original register of holders of overseas listed foreign shares is consistent with the duplicate. In the case of inconsistencies between the original and duplicate register of holders of overseas listed foreign shares, the original register shall prevail.

43. Different parts of the register of shareholders shall not overlap. No

require the confirmation of shareholding, the board of directors shall fix a day to be the record date for the purpose of determining shareholdings, and a shareholder whose name is in the register of shareholders at the end of the record date shall be a shareholder of the Company.

CHAPTER9-PBLICATIONS OF CONTROLLING SHAREHOLDERS TOWARDS OTHER SHAREHOLDERS

46. Apart from the obligations imposed by law or administrative regulations or required by the listing rules of the stock exchange(s) on which the shares of the Company are listed, a controlling shareholder when exercising his rights as a shareholder shall not by the virtue of the exercise his voting rights cause a decision to be made in a manner prejudicial to the interests of all or part of the shareholders in connection with the following issues:

(1) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;

(2) to approve the taking by a director or supervisor (for his own benefit or for the benefit of another person) in any manner of the

beneficial to the Company; or

(3) to approve the taking by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (but not limited to) rights to distributions and voting rights, but not including proposals for the restructuring of the restructuring of the Company submitted to and approved by the shareholders in accordance with these Articles.

47. A controlling shareholder referred in the preceding Articles means a person who satisfies any one of the following conditions:

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

(2) he alone or acting in concert with others has the power to exercise or to control the exercise of 30 per cent. or more of the voting rights in the Company;

(3) he alone or acting in concert with others holds 30 per cent. or more of the issued shares of the Company; or

(4) he alone or acting in concert with others in any other manner controls the Company in fact

48. The shareholders general meeting is the institution of power in the Company and its power shall be exercised in accordance with the law.

49. The shareholders general meeting shall exercise the following powers;

(1) to determine the operation policy and investment plan of the Company

(2) to appoint, replace directors and fix their remuneration;

(3) to appoint, replace supervisor who are the representatives of the shareholders and to fix their remuneration;

(4) to examine and approve any report submitted by the board of directors;

(5) to examine and approve any report submitted by the Supervisory Committee;

(6) to examine and approve the annual financial budget and report of the Company;

(7) to examine and approve the profit distribution proposal and the recovery of loss proposal of the Company;

(8) to decide by resolution to increase or reduce the registered capital of the Company;

(9) to decide by resolution matters including the merger, demerger, termination and liquidation of the Company;

(10) to decide by resolution that Company issues bonds;

(11) to decide by resolution to appoint, dismiss or not to appoint a firm of accountants;

(12) to amend these Articles;

(13) to consider any resolution proposed by shareholders representing 3 or more of the shares bearing voting rights of the Company;

(14) any other matters required by law, administrative regulations and these Articles are to be dealt with in shareholders general meeting.

50. The Company shall not, without the prior approval of shareholders, enter into any contract with any person other than a director, supervisor, manager or officer whereby the responsibility for the management of the whole or substantial part of the business of the Company is given to such person.

51. Shareholders general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders general meetings shall be convened and the date and time of the meetings shall be decided by the board of directors. Annual general meetings shall be held once every year and shall be held within six months

after each financial year end. Under any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months thereof:

(1) when the number of directors is less than the number prescribed by the Company Law or two thirds of the number prescribed in these Articles;

(2) when accumulated losses of the Company amount to one third of the total amount of its share capital;

(3) upon the requisition in writing of holders of 10 per cent or more shares of the Company;

(4) when deemed necessary by the board of directors;

(5) when supervisory committee proposes to convene a shareholders meeting.

52. When theCompany convenes an annual general meeting, it shall give written notice at least 20 clear business days prior to the date of the meeting; when the Company convenes an extraordinary general meeting, it shall give written notice at least 10 clear business days or 15 days (whichever is the longer period) prior to the date of the meeting, and shall inform all the registered shareholders of the matters proposed to be considered at the meeting and the date and venue of the meeting.

on which the Hong Kong Stock Exchange is open for the business of dealing in securities.

53. A notice of a meeting of shareholders shall:

(1) be given in writing;

(2) specify the place, the date and the time of the meeting;

(3) state the matters to be discussed at the meeting;

(4) provide to the shareholders such information and explanation as are necessary for the shareholders to exercise an informed decision on the matters proposed to be discussed. This principle includes (but is not limited to) when the Company proposes to amalgamate with another, repurchase shares, reorganize its share capital, or restructure in any other way, the details of the terms of and the contract (if any) for the proposed transaction shall be provided and the reason for and the effect of such proposal must be properly explained;

(5) if any director, supervisor, manager or officer has a material interest in the matter to be discussed, disclose the nature and extent of his interests; if the effect of the matters to be discussed on such director, supervisor, manager or officer in his capacity as a shareholders is different from the effect on the other

with the notification period requirements with respect to the holding of shareholders general meetings as stipulated in Article 52 of these Articles in one or more publications specified by PRC State securities regulatory authority. Once the notice is published, holders of domestic shares shall be deemed to have received notice of the relevant shareholders general meeting.

55. The accidental omission to give notice of a meeting to any person entitled to receive notice to the non-receipt of notice of a meeting by such person shall not invalidate the meeting and any resolution passed at that meeting.

56. Any shareholder entitled to attend and vote at a shareholders general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote instead of him, and that proxy shall exercise the following rights in accordance with the authorisation of the shareholder.

the same right as the shareholder to speak at a shareholders general meeting;

the right to demand a poll on his own or together with others; and

the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxies may only vote on a

act its representative may attend at the general meeting.

59. Any form is

resolution.

To pass a special resolution at a shareholders general meeting ,more than two thirds of the votes held by the shareholders(including proxies)present at the shareholders general meeting must be exercised in favour of that resolution.

62. When a shareholder(including his proxy)votes at a shareholders general meeting, he shall exercise his voting rights according to the number of shares carrying the right to vote held by him, each share shall have one vote.

63. Unless the following persons, either before or after any vote by show of hands, demand a poll, resolutions passed at a shareholders general meeting shall be put to vote by a show of hands:

the chairman of the meeting; or

at least two shareholders with voting rights present in person or by proxy; or

one or a number of shareholders or their proxies who alone or together holds 10 per cent or more of the shares carrying the right to vote at that meeting.

matter. In case of any violation of such requirement or restriction, the votes cast by the shareholder (including its agent) shall be disregarded.

65. On a poll taken at a meeting. a shareholder (including his proxy)entitled to two or more votes need not cast all his votes in the same way.

66. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

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appointment) and method of payment;

annual budget and results, balance sheet, profit and loss account and other financial reports of the Company;

all matters required to be approved by a shareholders general meeting other than those required to be approved by way of special resolution under PRC laws, administrative regulations or these Articles.

68. The following matters shall be approved by special resolution of a shareholders general meeting:

the increase, reduction of capital and the issue of any class of shares, warrants and other similar securities;

the issue of bonds of the Company;

the demerger, merger, termination and liquidation of the Company;

amendments to these Articles;

other matters which is considered by the shareholders general meeting by way of ordinary resolution to have potentially a material effect on the Company and should be approved by special resolution.

69. When the Company convenes a shareholders general meeting,

shareholders holding 3% or more of the total shares carrying the right to vote of the Company are entitled to propose to the convener of the shareholders general meeting in writing new matters to be considered 10 days prior to the convening of the shareholders general meeting. Those matters contained in the proposal which are within the scope of the duties of the shareholders general meeting must be included in the agenda of that meeting. The convener of the shareholders general meeting shall, within two days upon receipt of such proposals, issue a supplemental notice for the shareholders general meeting. The content of such proposals shall fall within the scope of the duties of the shareholders general meeting, and has a clear topic for discussion and specific issues for resolution.

70. When shareholders requisition an extraordinary general meeting or a class meeting, the following procedure shall be observed:

of directors may designate a director to convene the meeting and act as the chairman of the meeting. If no chairman of the meeting was so designated, the shareholders present at the meeting may elect a person to act as chairman, and if for any reason, the shareholders are unable to appoint a chairman of the meeting, the shareholder or his proxy present at the meeting holding the largest number of shares carrying the right to vote shall be the chairman of the meeting.

The chairman of the meeting shall be responsible for deciding

His decision shall be final and shall be declared at the meeting and recorded in the minutes of the meeting.

72. If the chairman of the meeting has any doubt as to the results of a resolution put to the vote, he may take a poll. If the chairman of the meeting fails to take a poll, any shareholder who is present in person or by proxy and who objects to the results declared by the chairman of the meeting may demand a poll immediately after the declaration of results and the chairman of the meeting shall immediately take a poll.

73. If a poll is carried out at a shareholders meeting, the result thereof

shall be entered into the minute book of the meeting.

The minutes of shareholders general meetings together with the attendance book signed by the shareholders present at the meeting and the instruments appointing the proxies present at the meeting shall be kept in safe custody at the registered address of the Company and shall not be destroyed for 10 years.

74. Shareholders may, during business hours of the Company inspect any shareholder requests from the Company a copy of the relevant minutes, the Company shall send a copy to him by post within 7 days after having received reasonable charges

CHAPTER 11- SPECIAL VOTING PROCEDURES RELATED TO DIFFERENT CLASS RIGHTS

75. A holder of different classes of shares is a different class shareholder. Different classes of shareholders shall enjoy rights and assume obligations in accordance with law, administrative regulations and the provisions of these Articles.

76. If the Company proposes to vary or abrogate the rights of the holders of any class of shares, the variation or abrogation must be approved by special resolution of a shareholders general meeting and by the affected class of shareholders at a separate meeting conducted in accordance with Articles 80 to 81 before it may proceed.

77. The following circumstances shall be deemed to be a variation or abrogation of the rights of a class of shareholders:

the increase or decrease in the number of shares of such class, or an increase or decrease in the number of shares of another class having voting or distribution rights or other privileges which are equal or superior to the shares of such class;

the exchange of all or part of the shares of such class for shares of another class or the exchange of all or part of the shares of another class for the shares of such class or to grant a right to such conversion;

the removal or reduction of rights to accrued dividends or rights to cumulative dividends of such class of shares;

the reduction or removal of a preferential right to dividends or to assets distribution upon liquidation of the Company of such class of shares;

(d) the addition, removal or reduction of conversion privileges, options, voting rights, transfer rights or preemptive rights or rights to acquire securities of the Company of such class of shares;

(e) the removal or reduction of rights of such class of shares to receive moneys payable by the Company in particular currencies;

(f) the creation of a new class of shares having voting or distribution rights or other privileges equal or superior to the shares of such class;

(g) the imposing of restrictions or increase in restrictions on the transfer or ownership of the shares of such class;

(h) the issue of rights to subscribe for, or convert into, shares of such class or another class;

(i) the increase of the rights or privileges of another class of shares;

(j) the restructuring of the Company which results in different classes of shareholders bearing disproportionate responsibilities; and

(k) the variation or abrogation of the provisions of this Chapter

78. The affected class of shareholders, whether or not they originally

have the rightto vote at shareholders general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning paragraphsto , and of Article 77, but interested shareholders (s) shall have no voting rights at class meetings. Th

follows:

in the case of a repurchase of shares by the Company by way of a general offer to shareholders in the same proportions or on a stock exchange by public transaction method in accordance with Article 29

refers to the controlling shareholder as defined in Article 74;

in the case of a repurchase of shares by the Company by an off-market agreement in accordance with Article 29 of these Article

to which the proposed contract relates; and

proportionate responsibility than other shareholders of the same class or the shareholder who has an interest different from the interests of the other shareholders of that class.

79. Resolutions of a class meeting shall be passed if two thirds of the

shareholders of that class present (in person or by proxy) and have the right to vote under Article 87 votes in favour of the resolution.

80. When the Company convenes a class meeting, it shall give written notice in accordance with the notification period requirements with respect to the holding of extraordinary general meetings as stipulated in Article 52 of these Articles and shall inform all the registered class shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Class meetings shall be conducted as close as possible to shareholders general meetings. The provisions of these Articles relating to shareholders general meetings shall apply to class meetings.

81. Apart from ordinary and preference shares, domestic shares and overseas listed foreign shares are regarded as different separate classes of shares.

The special voting procedures related for class shareholders shall not be applicable to the following:

upon approval by special resolution of the shareholders general meeting, the Company issues domestic shares or overseas listed foreign shares separately or concurrently at 12 months intervals and the number of domestic shares and overseas listed foreign shares to be issued do not exceed 20% of the number of the respective type of shares already in issue;

the Company completes its plan to issue domestic shares and overseas listed foreign shares at its incorporation within 15 months from the date of approval by the State Council Securities Commission.

CHAPTER 12 - BOARD OF DIRECTORS

82. The Company shall have a board of directors which is responsible for reporting on its work to shareholders.

83. The Board comprises 13 directors, of which there are at least three independent nonexecutive directors, accounting for at least one third

shareholders general meeting. A director shall be elected from the candidates nominated by the Board of Directors or a shareholder representing over 5%(including 5%) of the issued shares by the shareholders general meeting. The shortest period for the written notice on the intent of the relevant nominated director candidate and its willing expression on nomination acceptance shall not be less than 7 days. The period will be started to calculate since the shareholders general meeting sends meeting notice and it shall not be later than the time 7 days before the holding of the shareholders general meeting

Under the authorization of the shareholders general meeting the board of directors shall have the power to appoint any person to fill in a casual vacancy in the board of directors or as an additional directors, his term of office shall expire at the conclusion of the next following annual general meeting of the Company. That person is entitled to be re-elected to serve consecutive terms.

Subject to compliance with the relevant laws and administrative regulations, the Company shall have power to remove any director (including a President or other executive director, but without prejudice to any claim for damages under any contract) by special

resolution of a shareholders general meeting before the expiration of his term of office, provided that the shareholders general meeting shall not remove that director without reason.

A director need not hold shares of the Company.

Candidates for the first board of directors shall be nominated by the promoter and elected at the inaugural meeting of the Company.

84. The board of directors may create a number of special committees which shall assist the board of directors in the execution of its duties under the leadership of the board of directors. The members of the special committees need not be directors or management personnel of the Company.

85. The term of office of the chairman, vice-chairman and other directors shall be 3 years commencing from the date of appointment and may be re-elected for serve consecutive terms.

86. The board of directors is responsible to the shareholders and shall exercise the following powers:

to convene shareholders general meetings and to report on its

work at the shareholders general meetings;

to implement resolutions of shareholders general meetings;

to de

proposals;

to formulate the annual budget and reports, profit distribution proposals and proposals for making up losses of the Company;

to formulate proposals for the increase of the increase or reduction of share capital;

to formulate proposals for the issue of bonds of the Company

to formulate proposals for major acquisitions or disposals by and the demerger, merger and termination of the Company;

major assets;

to appoint and dismiss the President of the Company and according to the nominations of the President, to appoint and dismiss the senior Vice-president, Vice-president financial controller and other officers, and to determine matters relating to their remuneration;

to formulate proposals for amendments of these Articles, subject to compliance with the provisions of Article 8 and

Chapter 10 of these Articles;

to formulate the basic management structure of the Company;

to file a petition for the winding up of the Company;

to decide on the level of wages and salary and welfare and award schemes of the Company;

to establish the internal administrative framework of the Company;

to decide on other major business and administrative matters of the Company which are not required by these Articles to be resolved at shareholders general meetings;

to decide in the creation of special committees and to appoint and dismiss the relevant persons in charge;

other powers conferred by shareholders general meetings and these Articles.

Resolutions passed by the board of directors in respect of items , and (10 ’(P Tà, W* n BT /F2 14.04 Tf 1 0 0 1 179.42 282.05 Tm 0 g

88. The board of directors shall not, without the prior approval of shareholders, dispose or agree to dispose of any fixed assets of the Company if the aggregate of:

(i) the value of the fixed assets proposed to be disposed of, and

(ii) the consideration received by the Company on the disposal of fixed assets within the period of four months immediately preceding the proposed disposition, exceeds

shown in the last balance sheet placed before the shareholders.

The validity of a disposition of fixed assets by the Company shall not be affected by the breach of paragraph of this Article.

For the purposes of this Article, a disposition of fixed assets includes an act involving the transfer of an interest in certain assets but does not include the provision of security in the form of fixed assets.

89. Meetings of the board of directors shall be held at least twice every year and convened by the chairman, provided that interim meetings

of the board of directors may be convened in any of the following circumstances:

when deemed necessary by the chairman;

upon requisition by more than one third of the directors jointly or by the president.

90. A meeting of the board of directors shall only be held if more than one half of the directors are present. Each director shall have one vote. In the case of an equality of votes, the chairman shall have an extra vote.

91. Meetings of the board of directors shall in principle be held at the legal address of the Company provided that meetings of the board of directors may be held at any other place within or outside the PRC if the board of directors so resolves.

92. The expenses incurred by the directors in attending board meetings shall be borne by the Company. These expenses include transportation fees between the location of the director and the place of meeting (if at a different place) and charges for accommodation and meals, rental for the venue of board meeting and local transportation fees during the period of board meeting.

93. Meetings of the board of directors shall be conducted in Chinese, and, if necessary, a translator may be present to provide Chinese-English simultaneous translation.

94. No notice shall be required to be given if the time and place of ordinary meetings of the board of directors have been fixed by the board of directors in advance.

If the board of directors have not determined in advance the time and place of a meeting of the board of directors, the chairman shall at least notify all directors of the time and place of the board meeting by telex, telegram, facsimile, express delivery, registered mail or personal notification not less than 10 days and not more than 30 days before such meeting.

The notice shall be in Chinese and, where necessary, have attached thereto an English notice and shall include an agenda of the meeting and proposed resolutions.

If a director has attended a meeting and has not protested that notice of the meeting had not been received prior to the meeting or at the time of his attendance, a notice shall be deemed to have been sent to him.

Any ordinary of interim meetings of the board of directors may

be held by telephone conference or similar communication equipment. During such meeting, so long as all directors participating in the meeting can clearly hear and communicate with other directors, all such directors shall be deemed to be present in person at the meeting.

95. Directors shall be responsible for the resolution of the board of directors. Directors participating in any resolution of the board of directors which contravenes law, administrative regulations or these articles and causes serious losses to the Company shall be liable to compensate the Company, but if it is proved that a director has stated his objection at the time the vote was taken and a record thereof was made in the minutes of the meeting, that director shall be relieved of his liability.

96. Resolutions passed at a meeting of the board of directors and written resolutions of the board of directors shall be recorded in Chinese.

97. Minutes of every meeting of the board of directors shall be presented to all directors for review soon as possible.

98. Unless otherwise provided by the board of directors, a president

conferred by such director.

If a director fails to attend a meeting of the board of directors and has not appointed a representative to attend on his behalf, he behalf, he shall be deemed to have waived his right to vote at that meeting.

101. If a director is interested in a resolution of the board of directors, he shall abstain from voting. He shall not be counted in the quorum of directors present at the meeting.

102. The board of directors shall cause minutes to be kept of decisions made in relation to matters considered at the meeting, and the minutes shall be signed by directors attending the meeting and the person recording the minutes.

103. The board of directors shall have one chairman and 1 to 2 vice-chairman. The chairman and vice-chairman shall be appointed and dismissed by more than half of the number of directors. The vice-chairmen shall assist the chairman in his work and shall perform the duties of the chairman when the chairman is unable to perform his duties.

104. The chairman shall exercise the following powers and shall be assisted by the vicechairman:

to preside over shareholders general meetings and to convene and preside over meetings of the board of directors;

to inspect the implementation of the resolutions of the board of directors;

to participate in the meetings of the president important meetings of the Company and to provide guidance on important business activities of the Company when the board of directors is not in session;

to sign major contracts and other important documents of the Company or to execute powers of attorney to authorise his attorney to execute such documents; and

other powers conferred by the board of directors.

105. The board of directors may, if necessary, authorize the chairman of the board to exercise part of the powers of the board of directors when it is in recess. Members of the board of directors may act as presidentand other officers of the Company if so decided by the board of directors.

CHAPTER13 COMPANY SECRETARY

106. The Company shall have a company secretary who shall be appointed and dismissed by the board of directors.

107

secretary.

109. The company secretary shall prompt the Company to comply with the relevant PRC laws and the regulations of the stock exchange(s) on which shares of the Company are listed.

110. Directors or other officers of the Company may simulataneously act as company secretary. An accountant belonging to the firm of accountants employed by the Company shall not simulatenously act as company secretary. Where a director is also the company secretary, if an act is required to be done by a director and the company secretary separately, then that director who is also the company secretary may not perform the act in his dual capacity.

CHAPTER 14 Party Committee

111. The Company shall set up the Party Committee, which shall consist of 1 secretary, 1 deputy secretary in charge of party construction works and several members of the Party Committee (standing committee). The Chairman and the party secretary shall be held by the same person in principle. At the same time, the Company shall establish the Commission for Discipline Inspection of the Communist Party of Harbin Electric Company Limited (the

112. The Company shall adhere to and improve the leadership mechanism for cross appointment. Eligible Party members are allowed to serve as members of the Board, board of supervisors and management through legal procedures. The eligible Party Committee members in the Board, board of supervisors and management are allowed to join the Party Committee in accordance with relevant provisions and procedures.

113. The Party Committee shall discharge its duties in accordance with the provisions under the Constitution of the Communist Party of China.

(1) To guarantee and supervise the implementation of policies and guidelines of the Party and the state in the Company, implement material strategic decisions of the Party Central Committee and the State Council and make deployment for the relevant material works of the superior Party organisation.

(2) To insist on the combination of the principles of management of cadres by the Party and the selection of operation managers by the Board according to laws and execution of the right of employment by the operation managers. The Party Committee shall consider and propose opinions and suggestions on the candidates as nominated by the Board president, or

nominate candidates to the Board of president, and, together with the Board, conduct investigation on the candidates to be appointed and collective research to raise opinions and suggestions.

(3) To study and discuss reform, development and stability, material operation and management issues and other material issues involving the Company, and propose opinions and suggestions thereon.

(4) To shoulder the main responsibility for the overall strictness in administering the party, lead the Company in terms of ideological and political work, united front work, spiritual civilization construction, enterprise cultural construction and the work of labour union, the Communist Youth League and other groups, and lead the construction of the Party conduct and of an honest and clean government and support the Discipline Committee in practical performance of oversight responsibility.

(5) Other responsibilities that shall be performed by the Party Committee.

CHAPTER 15 PRESIDENT

114. The Company shall have one president and several senior Vice-presidents. The president, senior Vice-president and Vice-presidents shall be appointed and dismissed by and shall be accountable to the board of directors. The senior Vice-presidents and Vice-presidents shall assist the president in his work.

115. Unless otherwise prescribed in these Articles, the president shall exercise the following powers:

(1) to be responsible for the production and operational management of the Company; to organize the implementation of the resolutions of the board of directors and to report on his work to the board of directors;

(2) to convene and chair meetings of the president personally or appoint a senior Vice-president to do so, to attend meetings of the board of directors;

(3) to appoint or remove the senior Vice-president, Vice-presidents and other officers;

(4) to organize the implementation of the annual operational plan and investment proposals of the Company;

(5) to formulate the basic management structure and regulations of the Company and submit the same for approval by the board of directors;

to appoint, dismiss or transfer management personnel (including persons in charge of management departments) who are not required to be appointed or dismissed by the board of directors and workers of the Company; to recommend the appointment or dismissal of senior Vice-president, Vice-president, financial controllers and other officers.

to determine the imposition of any awards or penalties, promotion or demotion, increase or reduction in salaries/wages, appointment, employment, dismissal or resignation of staff and workers of the Company;

to represent the Company externally in handing business matters within the scope of the authority conferred by the board of directors;

other powers conferred by these Articles and the board of directors.

116. The president shall, in exercising his powers, comply with law, administrative regulations and these Articles, and shall act in accordance with his fiduciary duties and the duty to act diligently.

117. The president, senior Vice-president, Vice-president and other

otice of

resignation to the board of directors.

CHAPTER 16 SUPERVISORY COMMITTEE

118. The Company shall have a supervisory committee.

The supervisory committee shall consist of 5 supervisors, 2 of which shall be representatives of staff and workers who are elected and removed by the staff and workers of the Company and the others shall be elected and removed by the shareholders general meeting.

The supervisors shall be appointed for a term of three years, and may be reelected to serve consecutive terms. The supervisory committee shall have one chairman, whose appointment and removal shall be decided by two thirds or more of the supervisors. The supervisory committee shall meet at lease twice a year, the meeting shall be convened by the chairman of the supervisory committee.

119. All supervisors shall perform their supervisory responsibility

honestly in accordance with law, administrative regulations and these Articles.

120. In addition to obligations imposed by law or required by the stock exchanges on which shares of the Company are listed, each supervisor has the obligation, in the exercise of the powers conferred upon him by the Company, to:

(1) act in good faith and honestly in the best interests of the Company; and

(2) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

121. Supervisors shall not undertake concurrently the duties of the directors, president or other officers of the Company, including but not limited to, the financial controller of the Company.

122. The supervisory committee shall be accountable to the shareholders general meeting and shall exercise the following powers in accordance with law:

(1) to scrutinise as to whether the directors, manager and other officers have acted in contravention of law, administrative

regulations, these Articles and the resolutions of shareholders general meeting in the performance of their duties in the Company;

if the conduct of a director, president or other officers is prejudicial to the interests of the Company, to require him to rectify such conduct;

to examine financial information such as the financial reports, business reports and profit distribution proposals which the board of directors proposes to submit to the shareholders general meeting, and in case of doubts, to appoint on behalf of the Company a registered accountant or auditor to assist in the re-examination.

to propose to convene extraordinary general meetings;

to negotiate with the directors on behalf of the Company or to bring proceedings against the directors;

other powers stipulated in these Articles.

All supervisors shall have the right to be pr

meetings.

123. Resolutions of the supervisory committee shall be passed by two-thirds or more of the supervisors.

124. All reasonable expenses incurred in respect of the employment of professionals such as lawyers, registered accountants or auditors as are required by the supervisory committee in the discharge of its duties shall be borne by the Company.

CHAPTER 17 DIRECTORS, SUPERVISORS AND OFFICERS OF THE COMPANY

125. A person shall be disqualified from being a Director, supervisor or officer of the Company in any of the following circumstances:

period of 3 years has not yet elapsed since the completion of insolvency and liquidation of that company or enterprise;

a person who was a legal representative of a company or enterprise, the business licence of which was revoked on the grounds of contravention of law, and bears personal responsibility therefore, and a period of 3 years has not yet elapsed since the revocation of the business licence of that company or enterprise;

a person who has failed to repay his larger debts when due;

a person who, because of contravention of criminal law, is under investigation by judicial authorities and the case has not yet been settled;

a person who is not eligible for enterprise leadership according to law and administrative regulations;

a person who is not a natural person;

a person who has been convicted by relevant supervisory authority of having contravened the provisions of the relevant securities laws and which involves fraudulent or dishonest acts on his part and a period of 5 years from the date of conviction has not yet elapsed.

126. The validity of an act of a director or officer on behalf of the

Company vis-à-vis a bona fide third party shall not be affected by any irregularity in his election or appointment or any defect in his qualification.

127. In addition to the obligations imposed by PRC law, administrative regulations or by the rules of the stock exchange(s) on which shares of the Company are listed, each director, supervisor, manager and other officer when exercising the powers conferred upon him by the Company owes to each of the shareholders the following obligations:

not to cause the Company to exceed the scope of the operations stipulated in its business licence;

to act honestly in what he considers to be in the best interests of the Company;

(but not limited to) opportunities beneficial to the Company; and

not to take the personal rights of shareholders, including (but not limited to) distribution and voting rights, but not including a restructuring of the Company submitted to and approved by the shareholders general meeting in accordance with these Articles.

128. Each director, supervisor, manager and other officer has the duty, in the exercise of the powers and the discharge of his obligations, to exercise such care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

129. Each director, supervisor, manager and other officer has the duty, in the exercise of his powers conferred upon him by the Company, to observe fiduciary obligations and not to place himself in a position where his duty and his duty and his interest may conflict. This principle includes (but is not limited to) the duty:

to act honestly in what he considers to be in the best interests of the Company;

to exercise the powers vested in him for their intended purposes;

to exercise personally the discretion vested in him and not to allow himself to act under the direction of another person and, unless and to the extent permitted by law or with the informed consent of shareholders, not to delegate the exercise of his discretion;

to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

except otherwise provided for in these Articles of with the informed consent of shareholders, not to enter into any contract, transaction or arrangement with the Company;

without the informed consent of shareholders, not to use the

not to use his position to receive or pay out bribes or other unlawful income, and not

property, including(but without limitation), opportunities beneficial to the Company;

without the informed consent of shareholders, not to accept

to complywith these Articles, to honestly perform his duties and protect the interests of the Company and not to use his position and powers to make profits;

without the informed consent of shareholders, not to compete with the Company in any manner;

not to m

de any security for any debt incurred by any shareholder of the Company or any other individuals;

a person who is a partner of that director, supervisor, manager or other officer or any person referred to in (1) and (2) above;

a company over which that director, supervisor, manager or other officer, alone has de facto control or a company over which the persons referred to in (1), (2) and (3) above or other directors, supervisors, managers or officers, together have de facto control; or

a director, supervisor, manager or other officer of a company referred to in (4) above.

131. The fiduciary duty of a director, supervisor, manager or other officer does not necessarily cease with the termination of his tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapsed between the termination of his term of office and the commission of the act concerned and the circumstances and terms under which the relationship with the Company was terminated.

132. A director supervisor, manager or other officer may be relieved of liability for specific breaches of his duty by the informed consent of shareholders except in respect of circumstances specified in Article

130 of these Articles.

133. If a director, supervisor, manager or other officer has, directly or indirectly, a material interest in a contract, transaction or arrangement, entered into or proposed to be entered into with the Company (other than a contract of employment of the director, supervisor, manager or other office), he shall declare the nature and extent of his interest to the board of directors as soon as possible, whether or not the above matters are normally subject to the approval of the board of directors.

Unless that director, supervisor, manager or other officer has disclosed his interests to the board of directors in accordance with the foregoing paragraph of this Article and the board of directors has not counted him in the quorum, and that matter has been approved by the board of directors at a meeting in which he has refrained from voting, the Company may cancel that contract, transaction or arrangement except as against a bona fide party thereto acting without notice of the breach of duty by that director, supervisor, manager or other officer. If a person connected with a director, supervisor, manager or other officer is interested in a contract, transaction or arrangement, that director, supervisor, manager

other officer shall also be deemed interested therein.

134. If a director, supervisor, manager or other senior officer gives to the board of directors a notice in writing before the question of entering into the relevant contract, transaction or arrangement is first considered, stating that, by reason of the contents specified in the notice, he is interested in the contract, transaction or arrangement proposed to be entered into with the Company, then the relevant director, supervisor, manager or senior officer shall be deemed to have made a disclosure under Article 133 within the scope specified in that notice.

135. The Company shall not in any manner pay taxes for or on behalf of a director, supervisor, manager or senior officer.

136. The Company shall not directly or indirectly makID 30/Lang .01 dG [(n)-3(o)4

(i) the provision of a loan by the Company to its subsidiary or the provision of a guarantee for a loan of the subsidiary;

(ii) the provision by the Company to a director, supervisor, manager or other officer under an employment contract approved by the shareholders general meeting of loan or a guarantee for a loan or other funds to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to properly perform his duties;

(iii) where the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee for a loan to the relevant director, supervisor, manager or other officer or persons connected with them provided that the terms of the loan or guarantee for a loan shall be normal commercial terms.

137. A loan made by the Company in breach of the preceding Article shall be repaid forthwith by the recipient of the loan regardless of the terms of the loan.

138. A guarantee provided by the Company in breach of the first paragraph of Article 163 shall not be enforceable against the

Company, except in the following circumstances:

(i) the lender was not aware of the circumstances at the time the loan was advanced to the director, supervisor, manager or other officer of the Company or its holding company;

(ii) the security provided by the Company has been lawfully sold to a bona fide purchaser.

139. The meaning of a guarantee in the foregoing Articles of this Chapter includes an undertaking of responsibility of provision of property by the guarantor to secure the performance of obligations by the obligor.

140. In addition to the rights and remedies provided by law, where a director, supervisor, manager or other officer is in breach of his obligations to the Company, the Company has a right to take the following measures:

to claim damages from that director, supervisor, manager or senior officer in compensation for losses sustained by the Company as a result of such breach;

to cancel any contract or transaction entered into by the Company with that director, supervisor, manager or other officer and by the Company with a third party (where such

third party knew or other officer representing the Company was in breach of his obligations towards the Company);

officer of a subsidiary of the Company;

(iii) remuneration in respect of other services provided in connection with the management of the affairs of the Company or its subsidiaries;

(iv) monies payable as compensation for the loss of office or retirement from office of that director or supervisor.

Expect under a contract referred to above, a director or supervisor shall not bring proceedings against the Company for any benefit due to him in respect of the matters specified above.

142. The contract entered into between the Company and its director or supervisor shall stipulate that when the Company is about to be taken over, that director and supervisor is entitled, subject to obtaining med consent of his loss of office or retirement. The aforementioned taking over of the Company refers to any of the following circumstances:

(i) an offer made by any person to all shareholders of the Company; or

(ii) an offer made by any person, the purpose of which is for the offeror to become the controlling shareholder, such controlling shareholder shall be defined as provided in Article

47.

If the relevant director or supervisor does not comply with the provisions as stipulated in this article, then any moneys received by him shall belong to those persons who have sold their shares by reason of their acceptance of that offer, and that director or supervisor shall bear the expenses incurred in distributing the money pro rata amongst those persons shall be borne by him and such expenses shall not be deducted out of those moneys.

CHAPTER 18 - PROFIT DISTRIBUTION

143. The profits of the Company after payment of the relevant taxes shall be applied in the following order:

making up of losses;

allocation to statutory common reserve;

allocation to statutory provident fund;

allocation to discretionary common reserve;

payment of dividends in respect of ordinary shares.

The detailed distribution proportions in respect of items (4) to (5) above for any year shall be formulated by the board of directors in accordance with the operational conditions and development

other income required by the financial supervisory authority of the State Council to be appropriated to the capital reserve fund.

149. The statutory common reserve shall only be used for the following purposes:

to make up losses;

for conversion into share capital. The Company may, upon approval by a resolution of shareholders general meeting, convert its statutory common reserve into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or increase the nominal value of

reserve into capital, the amount of such reserve remaining unconverted must not be less than 25% of the registered capital.

150. The Company shall allocate monies to its statutory provident fund and apply the funds to the collective welfare of staff and workers.

151. Subject to the restrictions imposed by Articles 143, 144 and 146, dividends shall be paid proportionately to the shareholding of each

shareholder.

152. The Company may distribute dividends by way of cash or bonus shares (or by a combination of both ways).

153. When distributingdividends to shareholders, the Company shall deduct therefrom the tax payable on dividend income in accordance with PRC tax law.

154. The Company shall appoint a receiving agent for holders of overseas listed foreign shares. The receiving agent shall receive on behalf of the holders of overseas listed foreign shares dividends declared and all other monies payable by the Company in respect of those shares.

155. The receiving agent appointed by the Company shall comply with the requirements of the law and the regulations of the stock exchange(s) of the place where the Company is listed. The receiving agent appointed by the Company for holders of overseas listed foreign shares listed in Hong Kong shall be a trust corporation registered under the Trustee Ordinance in Hong Kong.

156. The Company shall not exercise its powers to forfeit any unclaimed

dividend in respect of overseas listed foreign shares listed in Hong Kong until the expiry of the applicable limitation period.

The Company is entitled to send a holder of overseas listed foreign shares by post if such warrants have been left uncaused on two consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company may exercise the power to sell the shares of an untraceable holder of overseas listed foreign shares in a manner which the board of directors may think fit subject to the following conditions:

(i) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and

(ii) on expiry of the 12 years the Company gives notice of its intention to sell the shares by way of an advertisement published in a Chinese and English newspaper in Hong Kong and notifies the Exchange of such intention.

CHAPTER 19 FINANCIAL AND ACCOUNTING SYSTEM AND INTERNAL AUDIT SYSTEM

157. The Company shall formulate its financial accounting system in accordance with the relevant requirements of PRC laws, administrative regulations and the PRC accounting principles formulated by the financial supervisory authority of the State Council.

158. The Company shall prepare a financial report at the end of every financial year and shall have it audited in accordance with law.

159. The financial year of the Company shall adopt the Gregorian calendar year, which if from 1st January to 31st December of each year.

160. The Company shall use Renminbi as the currency unit in its accounts, all accounts shall be written in Chinese.

161. The board of directors shall place before the shareholders at every annual general meeting a financial report required by the relevant

laws, administrative regulations or normative documents promulgated by regional government and supervisory authorities to be prepared by the Company. The financial reports of the Company shall be placed at the legal office of the Company 20 days prior to the holding of the annual general meeting of the Company for inspection by shareholders.

162. The Company shall not keep separate books of accounts apart from the statutory books of account.

163. The Financial Statements of the Company shall be prepared in accordance with the CASBE and regulations.

164. If the relevant securities of the Company is permitted to be listed on the Exchange, during the period on which its securities remain listed, the Financial Statements placed before the shareholders shall be prepared in accordance with the CASBE and regulations.

165. Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with the CASBE and regulations.

166. The Company shall announce its financial and business reports

annual general meeting.

If at the inaugural meeting the Company fails to exercise its powers stipulated in the preceding paragraph, those powers shall be exercised by the board of directors.

169. The term of appointment of the firm of accountants appointed by the Company shall commence from the conclusion of the current annual general meeting until the conclusion of

shareholder is entitled to receive, and to speak at any shareholders general meeting on any matter which concerns them as the firm of accountants of the Company.

171. If a casual vacancy arises in the office of accountants, the board of directors may prior to the holding of a shareholders general meeting appoint firm of accountants to fill the vacancy provided that during the continuance of the casual vacancy, if the Company has another firm of accountants in office, that firm of accountants may continue to act.

172. The shareholders general meeting may by ordinary resolution remove the firm of accountants before the expiration of their term of office notwithstanding the terms of the contract between the Company and the firm of accountants. If the firm of accountants has any right to claim against the Company arising form the termination of their office, that right shall not be affected by that termination.

173. The remuneration and the method of remuneration of the film of accountants shall be determined by the shareholders. The remuneration of the firm of accountants appointed by the board of directors shall be determined by the board of directors.

174. The appointment, removal, or non-appointment of a firm of accountants by the Company shall be decided by the shareholders and reported to the State Council securities regulatory authority for record.

When a resolution is passed at a shareholders general meeting to appoint a firm of accountants not currently in office to fill a casual vacancy in the office of accountants, of to reappoint a firm of accountants which were appointed by the board of directors to fill a casual vacancy, or to remove a firm of accountants before the expiration of their term of office, the following provisions shall apply:

The proposed resolution shall be sent, before notice of a shareholders general meeting is given, to the firm of accountants proposed to be appointed of proposed to leave office or which have left office in the relevant financial year. Leaving office includes leaving by removal, resignation and retirement.

If the firm of accountant

following measures (unless the representations are received too late):

(i) state in the notice given in connection with the resolution the fact that representations have been made by the firm of accountants leaving office;

(ii) send a copy of the representations to every shareholder entitled to receive notice of shareholders general meetings.

If the representations of the relevant firm of accountants have not been dispatched in accordance with (2) above, that firm of accountants may request that such representations be read at the shareholders general meeting and that it may make further submissions.

A firm of accountants leaving office shall be entitled to attend the following meetings:

(i) the shareholders general meeting at which his term of office would expire;

(ii) the shareholders general meeting at which it is proposed to fill the casual vacancy caused by his removal;

(iii) the shareholders general meeting convened as a result of his resignation.

notices of and other correspondence relating to the meetings referred to above, and to speak at any such meeting on any matter which concerns them as former accountants of the Company.

175. If the Company removes or does not appoint the firm of accountants, it shall first notify the firm of accountants and the firm of accountants is entitled to make representations to the shareholders general meeting. A firm of accountants tendering resignation shall inform at the shareholders general meeting as to whether there is any misconduct on the part of the Company.

A firm of accountants may resign from office by a notice in

shall contain either of the following statements:

(i) a statement to the effect that there are no circumstances connected with his resignation which he considers should be brought to the notice of shareholders or creditors of the Company; or

(ii) a statement of any such circumstances which should be accounted for.

Any such notice shall be effective on the date on which it is deposited at the legal address of the Company or on such later date as may be specified therein.

The Company shall within 14 days acknowledge its receipt of the written notice referred to in (1) above and send a copy of the notice to the competent authority. If the notice contains a statement referred to in (1) (ii) above, a copy of that notice shall also be sent to every shareholder entitled to receive a copy of the

Where the notice of resignation of the firm of accountants contains a statement referred to in (1)(ii) above, he may require the board of directors to convene an extraordinary general meeting to hear their explanation of the circumstances connected with their resignation.

CHAPTER 21 LABOUR MANAGEMENT AND STAFF AND WORKERSUNION ORGANISATIONS

176. The Company shall formulate its labour management, personnel management, wages and welfare and social insurance systems in accordance with PRC laws, regulations and the relevant administrative provisions.

177. In respect of all levels of management personnel, the Company shall adopt an appointment system and in respect of ordinary staff and

workers, the Company shall adopt a contract system. The Company shall have autonomy in respect of the allocation of employees and has the right to recruit and dismiss management personnel, staff and workers in accordance with laws and regulations and the terms contracts.

178. The Company shall have the right to determine autonomously the levels of wages and welfare benefits for various levels of its management personnel and various types of staff and workers with reference to its own economic performance and within the scope of the relevant administration regulations.

179. The Company shall arrange for medical insurance, retirement insurance and unemployment insurance for its management personnel and staff and workers in accordance with the relevant local and central governmental administrative regulations and shall implement the laws, regulations and the relevant requirements in respect of labour insurance and labour protection for retired and unemployed staff and workers.

180. The Company shall protect the legal rights of workers, strengthen labour protection and implement safe production practices.

The Company will adopt various means to strengthen occupational education and on-the-job training of staff and workers of the Company and enhance the quality of staff and workers.

181. The staff and workers of the Company may in accordance with law, organise workers unions, carry out workers union activities and protect the lawful rights of staff and workers. The Company shall allocate a workers union fund and develop workers union activities in accordance with the relevant PRC laws.

182 When the Company considers issues involving the personal interests of staff and workers relating matters such as salary, benefits, production safety and labour insurance of staff and workers, it shall

and workers and shall invite representatives of the workers union or representatives of the staff and workers to attend the relevant meeting. When the Company studies and decides on major issues relating to production and operation or formulates important regulations, it shall consider the opinions and suggestions of the workers union and of staff and workers of the Company.

CHAPTER 22 MERGER AND DEMERGER OF THE COMPANY

183. When the Company merges or demerges, the board of directors shall produce a proposal, and after it is approved in accordance with the provisions of these Articles, the relevant approval procedures shall be effected. Shareholders who objects to the merger or demerger of the Company are entitled to require the Company or the shareholders who agree to the merger or demerger proposals of the Company to purpose their shares at a fair price. The contents of the specific document which shall be circulated to shareholders.

In respect of holders of overseas listed foreign shares listed in Hong Kong, the document referred to above shall be sent by post.

184. The merger of the Company may adopt the methods of merger by absorption and merger by new establishment.

When the Company mergers, all parties to the merger shall sign a merger agreement, and a balance sheet and list of property shall be prepared. The Company shall notify its creditors within 10 days and shall make a public announcement within 30 days after the date of the resolution to merge.

After the merger of the Company, the rights and liabilities of the merging parties shall be assumed by the company continuing to exist after the merger or the new company which was established therefore.

185. When the Company demerges, its property shall be separated accordingly.

When the Company demerges, all parties to the demerger shall sign a demerger agreement, and a balance sheet and list of property shall be prepared. The Company shall notify its creditors within 10 days and to make a public announcement in newspapers within 30 days of the date of the resolution to demerge.

The liabilities of the Company prior to the demerger shall be assumed by the companies after the demerger in accordance with the demerger agreement.

186. When the Company merges or demerges, in respect of the changes arising in respect of registered matters, a change of registration shall be affected at the companies registration authority in accordance with law. If the Company is dissolved, its registration shall be

cancelled in accordance with law. If a new company is established, registration of such establishment shall be effected in accordance with law.

CHAPTER 23 TERMINATION AND LIQIDATION

187. The Company may be dissolved in any one of the following circumstances:

a shareholders general meeting resolves by special resolution to dissolve the Company;

if dissolution is necessary by reason of the merger or demerger of the Company;

the Company is declared insolvent in accordance with law because it was unable to pay its debts as and when due;

the Company was ordered to be closed down by reason of its contravention of law or administrative regulations.

188. If the Company is dissolved on the grounds set out in paragraphs (1) above, then it shall establish a liquidation committee within 15 days thereof, the choice of members thereof shall be determined by an ordinary resolution of the shareholders general meeting.

If the Company is liquidated on the grounds set out in paragraph (3) above, a liquidation committee comprising of shareholders, the relevant departments and relevant professionals shall be established

relevant laws to carry out liquidation.

If the Company is liquidated on the grounds set out in paragraph (4) above, a liquidation committee comprising of shareholders, the relevant departments and relevant professionals shall be established by the relevant supervisory department to carry out liquidation.

189. If the board of directors proposes to dissolve and liquidate the Company (other than at the liquidation of the Company because of a declaration of insolvency), the board of directors shall, in the notice convening a shareholders general meeting for this purpose, include a statement to the effect that, after having made full inquiry into the affairs of the Company, it is of the opinion that the Company will be able to pay its debts in full within 12 months from the commencement of liquidation.

Upon the passing of a resolution by the shareholders general meeting to commence liquidation, the powers of the board of

directors of the Company shall cease.

190. The liquidation committee shall comply with the instructions of the shareholders, and report to the shareholders at least once a year on the income and expenditure of the liquidation committee, the completion of liquidation to submit a final report to the shareholders.

191. The liquidation committee of the Company shall notify all creditors within 10 days following its establishment and within 60 days thereof publish a public announcement. The liquidation committee shall be responsible for the registration of the registration of creditor rights.

192. The liquidation committee shall exercise the following functions and powers during liquidation:

(1) to thoroughly examine the property of the Company and prepare respectively a balance sheet and list of property;

(2) to inform creditors by notice or public announcement;

(3) to dispose of and liquidate the relevant unfinished business of the Company;

to pay all outstanding taxes in full;

to settle claims and debts;

to dispose of the assets remaining after full payment of the

to participate in civil litigation activities on behalf of the Company.

After the liquidation committee has examined the property of the Company and prepared a balance sheet and list of property, it shall formulate a liquidation proposal and submit it to the shareholders general meeting or the relevant supervisory department for confirmation.

193. Members of a liquidation committee shall be faithful in the discharge of their duties and perform their liquidation obligations according to law.

Members of a liquidation committee shall not use their power to accept bribes or other illegal income and shall no take the property of the Company. If a member of a member of a liquidation committee willfully or through gross negligence causes loss to the Company or its creditors, he shall be liable to make compensation.

194. If the Company is being liquidated because of dissolution and after the liquidation committee has examined the property of the Company and prepared the balance sheet and list of property, the liquidation committee discovers that the Company ts are insufficient to repay its debts in full, it shall immediately suspend

insolvency.

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liquidation committee sall han

matters relating to the liquidation.

196. Liquidation costs, including remuneration payable to the members and advisors of the liquidation committee, shall be paid out of the assets of the Company before the claims of other creditors are paid.

197. Once the Company resolves to be liquidated, no one shall dispose of the assets of the Company without the permission of the liquidation committee.

During liquidation, the Company shall not carry on new operational activities. After the Company has paid the costs of liquidation, the

liquidation committee shall settle the following in order of priority:

(a) to pay accrued wages and labour insurance premiums for employees of the Company in respect of the three-year period prior to the date of liquidation;

(b) to pay outstanding taxes;

(c) to pay the debts of the Company.

198. Any assets remaining after the payment of debts by the Company shall be distributed to the shareholders according to the class and proportion of shares held by them:

(a) distributions to holders of preference shares be made in accordance with the nominal value of preference shares; if the capital of the preference shares cannot be paid off in full, distribution shall be made in proportion to their respective shareholdings;

(b) distributions to holders of ordinary shares be made in proportion to the number of shares held by them.

199. After the completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and the income and expenditure account and financial books during the period of liquidation, and after they are verified by an accountant registered

the PRC, submit them to the shareholders general meeting or the relevant supervisory authority for confirmation.

The liquidation committee shall, within 30 days after obtaining confirmation from the shareholders general meeting or the relevant supervisory authority, submit the documents mentioned above to the companies registration authority to apply to cancel the registration of the Company, and to publicly announce the termination of the Company.

CHAPTER 24 AMENDMENTS TO ARTICLES

200. The Company may amend these Articles in accordance with law, administrative regulations and the provisions of these Articles.

201. Any amendment of these Articles which involves provisions in the Mandatory Provisions in Articles of Association of Companies Liste

approval from the companies supervisory department authorized by the State Council and the State Council Securities Commission; for those involving companies registration matters, change of registration shall be effected in accordance with law.

CHAPTER 25 NOTICES

202. Save as otherwise provided for in these Articles, notices, information or written statements to be given by the Company to holders of overseas listed foreign shares listed in Hong Kong shall be served to the registered address of each holder of overseas listed foreign shares by personal delivery, or by sending to each holder of overseas listed foreign shares. Notices given to holders of overseas listed foreign shares listed in Hong Kong shall so far as possible be posted in Hong Kong.

Notwithstanding the requirements under paragraph 1 of this Article and Articles 54, 161 and 183 of these Articles or any other provisions (if related) with respect to the form of issuance or notification of any documents, notices or other communications, subject to compliance with all applicable laws and regulations, relevant provisions of the securities regulatory authority of the place where the shares of the Company are listed and these Articles, the Company may elect to issue corporate communications in the form of notification by posting on the website of the Company and the websites designated by the securities regulatory authority of the

place where the shares of the Company are listed, as a substitute for the delivery of a written document by hand or by prepaid mail to each holder of overseas listed foreign shares.

issued by the Company for the information or action of the shareholders, including but not limited to annual reports (including annual financial reports), interim reports (including interim financial

and loss statements or income statements), notices of meetings, listing documents, circulars, proxy forms and other communication documents.

Notices to be given by the Company to holders of domestic shares shall be published in one or more publications specified by the PRC securities regulatory authority. Once published, all holders of domestic shares shall be deemed to have received such notice. The Company may also serve such notices to such holders of domestic shares by post or by personal delivery.

203. Where a notice is sent by post, it shall be properly addressed, its postage prepaid and posted in a letter containing the notice and it

shall be deemed to have been received by the shareholder 5 days after the letter containing the same is posted.

204. Any notice, document, information or written statement sent by shareholders or directors to the Company may be sent by personal ress.

205. In seeking to prove that a shareholder or director have already sent a notices, documents, information or written statement to the Company, evidence shall be produced to show that the notice, document, information or written statement was sent within the specified time in the ordinary manner and by prepaid post and is sent to the correct address.

CHAPTER 26 ARBITRATION

206. Whenever any dispute or claim arises from these Articles or any rights of obligations provided in the Company Law and other relevant laws and administrative regulations concerning the affairs of the Company between the parties set forth in Article 207, unless otherwise specified in these Articles, those parties shall submit that dispute or claim to arbitration before one of the arbitration tribunals

specified below.

The applicant may choose to arbitrate before (a) China International Economic and Trade Arbitration Centre in accordance with its rules (b) Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once the applicant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the party applying for arbitration chooses to arbitrate at the Hong Kong International Arbitration Centre, then any party shall be entitled to request, in accordance with the stipulations of the Securities Arbitration Rules of the Hong Kong International Arbitration, that arbitration to be conducted in Shenzhen.

If arbitration is sought to resolve disputes or claims referred to in Articles 206 and 207, the applicable law shall be PRC law, save as otherwise prescribed by law, administrative regulations and these Articles. Such arbitration referred to above shall be final and conclusive and shall be binding on all parties.

207. This Chapter applies to disputes or claims between the following parties:

a holder of overseas listed foreign shares and the Company;

a holder of overseas listed foreign shares and the directors, supervisors, managers or other officers of the Company; and

a holder of overseas listed foreign shares and a holder of domestic shares.

208. Where a dispute of claim referred to in Article 620 involves parties set forth in Article 207, the entire claim or dispute must be referred to arbitration and all persons (being the Company or the shareholders, directors, supervisors, agents or other officers of the Company) who have a cause of action based on the same facts

210. In these Articles the following words and expressions bear the following meanings unless the context otherwise requires:

	the articles of association of the Company;
	The board of directors of the Company
	the chairman of the Company;
	a director of the Company;
	Block 3, Nangang High Technology Producti Base, Heilongjiang, PRC;
	the lawful currency of the PRC;
	company secretary appointed by the board directors;
	the Stock Exchange of Hong Kong Limited;

211. References to a firm of accountants in these Articles shall have the