

Rules of Procedure for the Board of Directors of

Beijing Jingcheng Machinery Electric Company Limited

(In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.)

Article 1 Tenets

In order to further regulate the discussion methods and decision-making procedures of the Board of Directors (the “Board”) of Beijing Jingcheng Machinery Electric Company Limited (the “Company”), urge the directors and the Board to effectively fulfill their obligations and improve the standard operation and scientific decision-making levels of the Board, the Rules are formulated in accordance with *the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, etc.

Article 2 Office of the Board

An office is established under the Board to handle the daily routine and keep the seals of the Board.

Article 3 Regular Meetings

The meetings of the Board are divided into regular meetings and interim meetings.

The regular meeting shall be convened at least four times a year.

Article 4 Proposal of the Regular Meeting

Before giving the notice on convening a regular meeting, the Office of the Board shall fully consult all directors to form the initial proposal and then submit it to the chairman for approval.

The chairman, if necessary, shall consult the managers or other senior management staff before finalizing the proposal.

Article 5 Interim Meeting

The Board shall convene an interim meeting in any of the following cases:

- 1) When the shareholders representing one-tenth or more of the voting rights propose a meeting;

- 2) When one-third or more of the directors jointly propose a meeting;
- 3) When the Supervisory Committee proposes a meeting;
- 4) When the chairman deems necessary;
- 5) When half or more of independent directors propose a meeting;
- 6) When the manager propose a meeting;
- 7) When the securities regulatory authorities request a meeting;
- 8) In other situations specified in the Articles of Association of the Company.

Article 6 Procedures of the Proposal of an Interim Meeting

Where an interim meeting is proposed as preceding article stipulates, a written proposal shall be presented to the chairman by the proposer directly or through the Office of the Board. The written proposal shall contain the following items:

- 1) Name(s) of the proposer(s);
- 2) Reason for the proposal or objective proposal-based reason;
- 3) Time or duration, venue and convening mode of the proposed meeting;
- 4) Clear and specific proposal;
- 5) Contact way of the proposer(s), date of the proposal, etc.

The content of the proposal shall be relevant to the matters within the functions and powers of the Board specified in the Articles of Association of the Company. The materials relevant to the proposal should be submitted together.

Upon receiving the above written proposal and relevant materials, the Office of the Board shall present them to the chairman on the same day. If the chairman believes the proposal is not clear or specific, or the related materials are inadequate, the proposer may be requested to make modification or supplementation.

The chairman shall convene and preside over the meeting within ten days after receiving the proposal or the request of the securities regulatory authorities.

Article 7 Convening and Hosting of the Meeting

The Board meeting shall be convened and presided over by the chairman, or

the deputy chairman where chairman is unable to or fails to perform his/her duties, or a director jointly recommended by more than half of the directors where the deputy chairman is unable to or fails to perform his/her duties.

Article 8 Meeting Notice

For a regular meeting or an interim meeting, the Office shall give a written meeting notice to all directors, supervisors, the manager and the secretary of the Board fourteen days and eight hours respectively in advance through direct delivery service, fax, email or any other means. If the notice is given indirectly, the confirmation by telephone is necessary.

When an interim meeting needs to be held as early as possible in case of an emergency, the meeting notice is allowed to be given by telephone or in other verbal forms at any time provided that the convener makes necessary explanations at the meeting.

Article 9 Contents of the Meeting Notice

The written meeting notice shall at least include the following items:

- 1) Meeting date and venue;
- 2) Meeting duration
- 3) Meeting convener and moderator, and the proposer of the interim meeting;
- 4) Subject matter or topics for discussion;
- 5) Issuance date of the notice.

The verbal meeting notice shall at least include the contents mentioned in 1) and 2) and a description of necessity convening Board interim meeting as soon as possible due to the emergency.

Article 10 Change in the Consents of the Meeting Notice

After the written notice of the regular meeting is issued, if the meeting date, venue or any other item needs to be changed, or the meeting proposal needs to

be supplemented, modified or cancelled, a change notice shall be given in writing three days prior to the originally scheduled meeting date to specify the reasons and contents of the new proposal as well as the relevant materials. If the change notice is given within three days prior to the originally scheduled meeting date, the meeting shall be postponed accordingly or convened on new schedule upon the approval of all directors who will attend the meeting.

After the notice of the interim meeting is issued, if the meeting date, venue or any other item needs to be changed, or the meeting proposal needs to be supplemented, modified or cancelled, a prior approval from all directors who will attend the meeting shall be obtained and the corresponding records shall be made.

Article 11 Convening of the Meeting

The meeting of the Board cannot be convened unless more than half of the supervisors are present. Where the requirement of the minimum number of participants fails to be met due to some relevant director's refusal or failure to attend the meeting, the chairman and the secretary of the Board shall report it to the regulatory authorities timely.

The supervisors, the manager and the secretary of the Board without a concurrent post of director shall attend the meeting of the Board. The meeting moderator, if he/she considers necessary, can inform other relevant personnel to attend the meeting.

Article 12 Attending in Person or Authorizing Others to Attend

The directors, in principle, shall attend the Board meeting in person. Any director who cannot attend the meeting due to some reasons shall review the meeting materials and form his/her definite opinions in advance and authorize any other director to attend with a letter of authorization.

The letter of authorization shall specify:

- 1) Names of the trustor and the trustee

- 2) Brief comments of the trustor on each proposal;
- 3) Trustor's scope of authority and voting intention on the proposal
- 4) Trustor's signature, date of the signature, etc.

The director who authorizes other director to sign the written opinions for confirmation of the regular report shall make a special authorization in the letter of authorization.

The trustee shall present the written letter of authorization to the meeting host.

Article 13 Limitations on Authorizing Others to Attend

When a director authorizes other director or is authorized to attend the Board meeting, the following principles shall be followed:

1) When the related transactions will be discussed in the meeting, the unaffiliated directors shall not authorize the affiliated directors to attend the meeting, while the affiliated directors shall not accept the authorization of the unaffiliated directors, either;

2) The independent directors shall not authorize the non-independent directors to attend the meeting, while the non-independent directors shall not accept the authorization of the independent directors, either;

3) The directors shall not fully authorize other directors to attend the meeting without giving their personal opinions and voting intentions on the proposal, while the relevant directors shall not accept the full authorization or grant the unclearly defined authorization.

4) One director shall not accept the authorizations of more than two directors or authorize the director who has been authorized by other two directors to attend the meeting.

Article 14 Convening Mode of the Meeting

The Board meeting shall be convened on site in principle. If necessary, the meeting, on the condition that the directors can fully express their opinions, can be held through video, telephone, fax, email voting, etc. upon the content of the convener (moderator). In addition, the on-site mode and other modes can be

concurrently adopted for the convocation of the Board meeting.

If the meeting is convened in an off-site way, the number of the participating directors shall be counted based on the directors present in the video and expressing opinions on the phone as well as the valid votes delivered via fax, email or other means within the prescribed period or the written confirmation letters submitted by the directors afterwards to confirm their attendance of the meeting.

Article 15 Deliberation Procedures of the Meeting

The meeting moderator shall seek opinions on each proposal from the participating directors.

If a prior approval of the independent directors is necessary for any proposal according to the related regulations, the meeting moderator shall appoint an independent director to read out the written approval agreed by the independent directors before the discussion of the relevant proposal.

When any director hinders the normal proceeding of the meeting or affects other directors to speak, the meeting moderator shall promptly stop him/her.

Unless with the unanimous consent of all participating directors, the proposals not included in the meeting notice shall not be put to a vote in the Board meeting. The directors who are authorized by other directors to attend the meeting shall not vote on the proposals not included in the meeting notice on behalf of the trustors.

Article 16 Giving Opinions

The directors should independently and prudently give their options upon carefully reading the relevant meeting materials and fully understanding the situations.

The directors are allowed to learn the information necessary for the decision-making from the Office of the Board, the meeting convener, the

manager and other senior management staff, various special committees, accounting firms and law firms and other relevant personnel and organizations before the meeting, or to suggest the moderator to invite the above-mentioned persons and the representatives of the above-mentioned organizations to attend the meeting to explain the situations.

Article 17 Voting and Resolution of the Meeting

When any proposal is fully discussed, the host shall ask the participating directors to vote in time.

The resolution of the Board shall be passed by show of hands on a one-person-one-vote basis.

Three options in form of the affirmative vote, negative vote and abstention are available for the directors to show their voting intentions. The participating directors shall choose one of them. Where any participating director fails to choose or chooses two or more options at the same time, the host of the meeting shall ask the relevant director to make second round of choosing. The directors who refuse to choose or fail to return after leaving the meeting without any choosing shall be deemed to have abstained from voting.

Article 18 Formation of the Resolution

Except the situations specified in Article 19 of the Rules, the consent of more than half of the directors is required for the Board to pass a proposal and form the relevant resolutions. Where any provision of the laws, administrative regulations or the Articles of Association of the Company stipulates that the consent of even more directors is necessary for the Board to form the resolutions, the relevant provision shall apply.

When the Board forms a resolution on any security matter within its functions and powers in accordance with the Articles of Association of the Company, the consents of more than half of all directors of the Company and two-third or more participating directors are necessary.

In case of any discrepancy on the contents or meanings of different resolutions, the resolution formed later shall prevail.

Article 19 Avoiding a Vote

The directors shall avoid voting on the relevant proposal in the following circumstances:

1) When the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* stipulates the directors should avoid voting; 2) When the directors deem necessary to avoid voting; 3) When the Articles of Association of the Company specifies the directors should avoid voting due to their relationship with the enterprise involved by the meeting proposal.

Where the directors are necessary to avoid voting, the relevant Board meeting can be convened provided that more than half of non-affiliated directors can attend the meeting and the resolution can be formed upon the consent of more than half of non-affiliated directors. Where the number of the participating non-affiliated directors is less than three, the relevant proposal shall be submitted to the shareholders meeting for deliberation other than be put to a vote.

Article 20 Not Exceeding One's Legitimate Authority

The Board shall act in strict accordance with the authorization of the shareholders meeting and the Articles of Association of the Company, and shall not form a resolution by means of exceeding given authority.

Article 21 Special Provisions on the Distribution of Profits

Where a resolution on the distribution of profits is necessary to be made in the Board meeting, the distribution pre-proposal to be submitted to the Board for deliberation can be first noticed to the certified public accountant, who shall issue the audit report draft accordingly as requested (All financial data other than those relevant to the distribution shall have been determined.) The Board,

after the distribution resolution is made, shall ask the certified public accountant to issue the formal audit report and then make resolutions on other relevant issues of the regular reports accordingly.

Article 22 Disposal of the Proposal Not Adopted

Where any proposal is not adopted, the proposals with the same contents shall not be deliberated in the Board meeting within a month provided that no significant change is found in the relevant conditions and factors.

Article 23 Suspension of voting

When more than half of the participating directors or more than two independent directors believe that they can not make a judgment on the relevant matters because the proposal is not clear or specific, or because of other reasons such as inadequate meeting materials, the meeting moderator shall ask for suspension of voting on the topic in the meeting.

The directors who propose to suspend voting shall provide explicit prerequisite for the proposal to be resubmitted for deliberation.

Article 24 Sound Recording of the Meeting

If necessary, the whole process of the Board meeting convened on site or through video, telephone or any other means can be recorded.

Article 25 Meeting Minutes

The Secretary of the Board shall arrange the Office staff to keep the minutes of the Boarding meeting. The meeting minutes shall include the following items:

- 1) Session, date, venue and convening mode of the meeting;
- 2) Issuance and receipt of the meeting notices;
- 3) Meeting convener and moderator;
- 4) Personal and authorized attendance conditions of the directors
- 5) Proposal deliberated at the meeting, main points and views of the directors on the relevant matters and their voting on the proposal

- 6) Voting result of each proposal;
- 7) Other matters considered to be recorded by the participating directors

Article 26 Meeting Summary and Resolution Record

In addition to the meeting minutes, the Secretary of the Board may also arrange the Office staff of the Board to work out a clear and concise meeting summary as well as make a separate resolution record based on the voting result and the formed resolutions.

Article 27 Signature of Directors

The participating directors shall sign the meeting minutes and resolution record for confirmation on behalf of themselves and the directors who authorize them to attend. Any director who has different views on the meeting minutes or the resolution record can make a written explanation when signing the minutes; when necessary, he/she shall report it to the regulatory authorities timely; he/she can also make a public statement.

Where any director fails to sign for confirmation as proceeding article stipulates and make a written explanation on his/her different views, or fails to report it to the regulatory authorities or make a public statement, he/she shall be deemed to have fully agreed with the contents of the meeting minutes and the resolution record.

Article 28 Announcement of Resolutions

The announcement of resolutions of the Board shall be handled by the secretary of the Board in accordance with the relevant provisions of the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*. Prior to the disclosure of announcement of resolutions, the participating directors and other members attending the meeting, including the recording and service personnel, shall bear the duty of confidentiality on the contents of resolutions.

Article 29 Implementation of Resolutions

The chairman shall urge the staff to implement the resolutions of the Board, and notify the implementation of resolutions that have been formed at the following meetings of the Board.

Article 30 Archiving of Meeting Files

The meeting files of the Board, including the meeting notices and materials, letters of authorization, meeting recordings, as well as the meeting minutes, meeting summary, resolution record, resolution announcement and others that have been signed by the participating directors, shall be kept by the secretary of the Board.

The preservation period of those meeting files shall be more than ten years.

Article 31 Supplementary Provisions

The term of “more than” as used in the Rules shall include the given figure.

The Rules are developed by the Board and shall take effect upon the approval of the shareholders meeting. Any amendment to the Rules shall follow the same procedure.

The Board shall be held responsible for the interpretation of the Rules.