

**Yasheng Group**  
**Code of Conduct**  
**For Members of the Board of Directors,**  
**Officers and Employees**

**Adopted as of January, 2004**

This Code of Conduct of the YaSheng Group (“Yasheng” or the “Company”) provides the standards by which the Company’s employees, officers and directors should conduct themselves. It is the Company’s goal to foster the highest possible ethical standards. The Company expects each employee, officer and director to conduct themselves in conformity with this Code.

**I. General Principles and Scope of Application**

A. You shall comply with all laws, rules and regulations applicable to the Company. Specifically, and without limitation, you shall provide full, fair, accurate, timely and understandable disclosure in reports that the Company files, or submits to, the U.S. Securities and Exchange Commission and in other public communications made by the Company.

B. All employees must observe the terms of their employment, and take such steps as required to maintain the good name and reputation of the Company,

**II. Confidential Information**

Employees, officers and directors of the YaSheng must maintain the confidentiality of information to which they are entrusted by the Company, its business partners, suppliers, customers or others related to the Company’s business. This obligation survives the termination of an employee’s, officer’s or director’s relationship with the Company. Such information must not be disclosed to others, except when disclosure is authorized by the Company or is legally mandated.

**III. Conflict of Interest**

As an employee, officer or director of YaSheng, you have a duty of loyalty to the Company and must, therefore, avoid any actual or apparent conflict of interest with the Company. Employees, officers and directors must not use their position for private gain, to advance personal interests, or to obtain favors or benefits for themselves, members of their families, or any other individuals, corporations or business entities. A conflict situation can arise when an employee, officer or director takes an action or has an interest that may make it difficult for him or her to perform his or her work objectively and effectively.

Conflicts of interest also arise when an employee, officer or director or a member of his or her family receives improper personal benefits as a result of such employee’s officer’s or director’s position with the Company. If such a situation arises, an employee or officer should

immediately report the circumstances to their supervisor. Executive officers and directors should report any such circumstances to the Board of Directors of the Company.

#### **IV. Corporate Opportunities**

You owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. When an opportunity that relates to the Company's business has been presented to you as a result of your relationship with the Company or its agents, you are prohibited from (a) taking for yourself personally opportunities that are discovered through the use of the Company's property or information, or your position with the Company, (b) using the Company's property, information or position for personal gain, or (c) personally competing with the Company, directly or indirectly, for business opportunities. However, if it has been determined that the Company will not pursue an opportunity presented to the Company, you may pursue such opportunity if such involvement is fully disclosed to the Company's Board and does not interfere with the fulfillment of your responsibilities to the Company.

#### **V. Inside Information**

It is the Company's goal and policy to protect shareholder investments through strict enforcement of the prohibition against insider trading set forth in federal securities laws and regulations. No director, officer or employee may buy or sell, or tip others to buy or sell, company securities or the publicly-traded securities of a competitor, customer or supplier when in possession of a competitor, such customer or such supplier, as the case may be. Insider trading is both unethical and illegal and will be dealt with firmly as the case may be. Insider trading is both unethical and illegal and will be dealt with firmly.

"Material non-public information" includes, but is not limited to, information about YaSheng or its business that is not available to the public at large which would be important to an investor in making a decision to buy, sell or retain a stock. Common examples of this type of information includes, but is not limited to: projections of future earnings or losses, news of a pending or proposed merger or acquisition, news of a significant sale of assets or the disposition of a subsidiary, news regarding an significant current or prospective customer, the declaration of a stock split or the offering of additional stock, significant changes in management, significant new products and impending financial liquidity problems. It should be noted that either positive or negative information might be material.

#### **VI. Communication with Government Officers**

1. It is the policy of the Company to maintain a proper working relationship with governmental authorities in all locations in which the Company does business. Towards that end, all officers, directors and employees should strive to be good citizens and seek to engage in civic activities.

2. Neither the Company nor its auxiliary bodies or affiliated entities, nor any officer, director or employee of the Company may provide any loan, gift or gratuity to any governmental body or officer, and must at all times comply with all applicable laws, rules and

regulations. As we are a publicly-held company under the laws of the United States, we are subject to the provisions of the U.S. Foreign Corrupt Practices Act. The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

## **VII. Outside Activities**

Employees should take no actions which may effect the interest of the Company without the prior authorization and approval of the Company. All employees should consider the honor and profit of the Company all the time.

Activities outside of the employment activities of an employee or officer should not compete or conflict with the activities of YaSheng. These activities should not involve any use of company equipment, supplies or facilities, imply YaSheng's sponsorship or support or adversely affect the Company's reputation. Employees and officers are encouraged to participate in worthwhile civic, educational and charitable organizations and activities; however, every effort should be made to perform those activities during non-work hours. When schedule conflicts occur, advance arrangements must be made and approval obtained from one's immediate supervisor. As private citizens, employees, officers and directors of the Company are free to petition or otherwise contact the government on any issue. However, unless authorized, employees, officers and directors may not purport to represent the Company when contacting any branch of government at any level.

## **VIII. Protection of Asset and Information**

Safeguarding Company assets is the responsibility of all employees, officers and directors. All company assets should be used for legitimate business purposes only and the personal use of company assets without permission is prohibited.

## **IX. Quality Control**

The Company recognizes that the quality of its products is critical for maintaining the reputation of the Company and to promote its business development. Every employ should strive to conduct himself/herself in the highest professional and ethical manner, and work to meet the expectation of the Company's customers and clients.

## **X. Accounting Policies/Record-Keeping**

The Company and each of its subsidiaries will make and keep books, records and accounts, which in reasonable detail accurately and fairly present the transactions and disposition of the assets of the Company. All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds, assets or liabilities shall not be maintained,

excluding unconsolidated entities as required by the U.S. Generally Accepted Accounting Principles.

You are prohibited from directly or indirectly falsifying or causing to be false or misleading any financial or accounting book, record or account. You are expressly prohibited from directly or indirectly manipulating an audit, and from destroying or tampering with any record, document or tangible object with the intent to obstruct a pending or contemplated audit, review or federal investigation. The commission of, or participation in, one of these prohibited activities or other illegal conduct will subject you to criminal penalties, as well as punishment of up to and including termination of employment.

You are prohibited from making or causing to be made a materially false or misleading statement, or deliberately omitting to state, or causing another person to omit to state, any material fact necessary to make statements made not misleading in connection with the audit of financial statements by our independent accountants, the preparation of any required reports whether by independent or internal accountants, or any other work which involves or relates to the filing of a document with the U.S. Securities and Exchange Commission.

Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult the appropriate Company representative

#### **XI. Respect For All Employees**

The diversity of the Company's employees is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. Any instances of such behavior, whether the employee is a participant or observer, should be immediately reported to the employee's immediate supervisor.

#### **XII. Environment Protection**

The Company is committed to the protection of our environment. As part of the Company's commitment towards sustainable development, we seek to employ new and more sustainable technologies and processes. We encourage our employees to develop new products and manufacturing technologies to boost environment protection, promote recycling, reduce pollution and protect the environment.

#### **XIII. Competition and Fair Dealing**

The Company seeks to outperform our competition fairly and honestly. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone

through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any Company employee, family member of an employee or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts which you are not certain are appropriate.

#### **XIV. Compliance with International Law**

YaSheng is a multi-national company. As such it observes the laws and rules of international trade.

#### **XV. Compliance with the Code of Conduct**

All of our employees, officers and directors have a duty to adhere to this Code of Conduct. It is our intention to enforce the policies expressed in this Code of Conduct. If confronted with an ethical question, employees are strongly urged to discuss this matter either with their supervisor, the Human Resources Department, the Company Affairs Department or other appropriate YaSheng Department. Concerns regarding questionable accounting or auditing matters should be brought to the attention of the Audit Committee. We will respect the confidentiality of all such discussions, and we further want to assure all of our employees, officers and directors that they need have no fear of retaliation or retribution for having acted in good faith in calling unethical conduct to the attention of our management.

All allegations will be investigated by the proper corporate, business unit or department personnel, and, upon the advice and approval of legal counsel for the Company, will be reported to the appropriate authorities. In order to facilitate implementation of this Code of Conduct, employees, officers and directors have a duty to cooperate fully with the investigation process and to maintain the confidentiality of investigative information unless specifically authorized to disclose such information.

Employees, officers and directors who provide information to or assist in any investigation or proceeding by the Company, governmental or law enforcement agency regarding any alleged violation of fraud laws or SEC rules and regulations will not be subject to retaliatory action for their cooperation in such matters. It is a violation of this policy and law for any employee, officer or director to retaliate against an employee because the employee provides such cooperation. Any employee who believes he or she has been the subject of retaliation should report the matter to his or her supervisor or the Human Resources Department, Company Affairs Department or other appropriate YaSheng Department.

Employees, officers or directors who fail to comply with the standards of behavior that we have described in this booklet are subject to disciplinary action that may include termination of

service, referral for criminal prosecution, and reimbursement to the Company for any losses or damages resulting from the violation. Discipline may also be imposed for conduct that is considered unethical or improper even if the conduct is not specifically covered by our Code of Conduct.

No code or set of values can address every ethical choice we face in business. Each of us must use good common sense and judgment in our personal conduct.