

**FIRST TRACTOR COMPANY LIMITED  
RULES OF PROCEDURES FOR BOARD OF DIRECTORS**

April 2022

## **Chapter 1 General Provisions**

Articles 1 These Rules are formulated in accordance with the Company Law of the People's Republic of China ("Company Law"), the Securities Law of the People's Republic of China ("Securities Law"), the Code on Corporate Governance of Listed Companies ("Corporate Governance Code") and the Articles of Association of First Tractor Company Limited ("Articles of Association") and other relevant laws and regulations to further regulate the discussion methods and decision-making procedures of the Board of Directors of the Company, to procure effective performance of the duties of the Directors and the Board, and to improve the standards of regulated operation and scientific decision-making of the Board.

## **Chapter 2 Composition and Establishment of the Board**

Article 2 The Company shall establish its Board. The Board shall comprise 7–9 Directors, with one chairman and there may be 1 vice chairman according to actual needs. No less than half of the members of the Board shall be the external Directors (refer to Directors who do not take any positions in the Company). The external Directors shall have sufficient time and necessary knowledge and ability to perform their duties. The external Directors shall be provided with necessary information by the Company in performing their duties. The external Directors shall include the Independent Directors of not less than one-third of the total number of the Directors, and at least one of the Independent Directors must possess appropriate professional qualifications or accounting or related financial management expertise (Independent Directors shall mean the Directors who are independent of the shareholders of the Company and do not hold any internal positions in the Company and the same shall apply to the Articles below).

Article 3 The office under the Board handles the daily affairs of the Board and keeps the seals and stamps of the Board.

Article 4 The Directors shall be elected at general meetings, and a Director shall be removed from his office by the general meeting prior to the expiry of his term of office. The term of office of a Director shall be 3 years. At the expiry of a Director's term of office, the term is renewable upon re-election, but any Independent Director cannot serve as the Company's Independent Director for a consecutive period of over 6 years.

Any written notice by the shareholders to the Company in accordance with the provisions of the Articles of Associations regarding his intention to nominate a candidate for election of Directors and the written consent of the candidate to accept such nomination shall be given to the Company not less than 7 days. Such time limit shall commence from 1 day (the next day) after the despatch of the notice convening the general meeting (no earlier than that), and until at least 7 days before the date of such general meeting.

The number of the Directors for rotation each year shall not exceed one-third of the number of the Board unless the term of that session of the Board or the relevant Directors expires or the relevant Directors resign or as required by laws and regulations, and the listing rule(s) of the place(s) where the shares of the Company are listed.

The Board shall have the right to examine the qualifications of Directors and resolutions in respect of the qualifications of Directors shall be passed by more than one-half of all the Directors.

The Chairman of the Board shall be elected and removed by more than half of all the Directors. The Chairman of the Board and the vice chairman (or vice chairmen) of the Board shall serve a term of 3 years and may serve consecutive terms if reelected upon the expiration of their terms.

The general meeting may by ordinary resolution remove any Director before the expiration of his term of office (but without prejudice to such Director's rights to claim damages based on any contract) in accordance with the relevant laws, administrative regulations and Listing Rules, unless otherwise provided by the relevant laws and regulations, Listing Rules and the Articles of Association.

The removal of the Chairman, vice-chairman and Directors in violation of Article 70 of the Articles of Association shall be void.

Directors may assume the position as general managers or other Senior Management of the Company (other than supervisors). The Directors are not required to hold shares of the Company.

Article 5 The Company shall disclose personal particulars of the Director candidates prior to the convening of the general meeting, so that the shareholders can acquire enough knowledge of the candidates before voting.

Prior to the convening of the general meeting, the Director candidates shall give a written undertaking of their consent with the nomination and the information disclosed to the public being authentic and complete, and that they will duly exercise the duties of Directors when they are elected.

Article 6 The Directors may be elected at general meeting by way of cumulative voting. Upon election of more than 2 Directors, the number of votes held by each shareholder shall be equal to the multiple of the number of his shares held and the number of Directors he is entitled to elect. Each shareholder shall be entitled to cast all his votes for a single candidate for Director, arbitrarily distribute votes to all candidates for Director who he has the right to elect, or distribute his votes at his discretion or cast all his votes for two or more candidates for Director. The candidate(s) with the most votes shall be elected as Director(s).

Article 7 The appointment of new Directors, upon passing the resolutions thereof, shall be effective on the time as directed at the general meeting.

### **Chapter 3 Resignation of Directors**

Article 8 Directors may resign prior to the expiry of their term of office. Directors shall submit to the Board a written report in relation to their resignation, whereas Independent Directors shall also state any circumstance relating to their resignations or which they consider to be necessary to draw to the attention of the shareholders and creditors of the Company.

In case where the number of Directors falls short of the quorum of the Board as a result of the resignation of the Director, the resignation report of the said Director shall not become effective until the vacancy resulting from his resignation is filled up by succeeding Director. The remaining Directors shall convene an extraordinary general meeting as early as possible to elect the Director and fill up the vacancy resulting from the said resignation. Prior to any resolutions passed for the election of the Director at general meeting, powers of the resigning Director and the remaining Directors shall be subject to reasonable restraints.

Should the resignation of Independent Director result in the proportion of Independent Directors in the Board of Directors of the Company falling below the minimum requirement as required by the relevant regulatory authorities or the Listing Rules, the resignation report of the said Independent Director shall not become effective until the vacancy resulting from his resignation is filled up by succeeding Independent Director.

Other than the circumstances referred to in the preceding paragraphs, resignation of a Director shall become effective upon submission of his resignation report to the Board.

## **Chapter 4 Duties of Directors and Powers of the Board**

Article 9 The Directors shall have a duty of good faith and diligence to the Company and the shareholders as a whole. The Directors shall perform their duties conscientiously in accordance with the relevant rules, regulations, the Listing Rules and the Articles of Association, and act in the interest of the Company as a whole, with particular concern in the protection of the lawful rights and interests of the minority shareholders of the Company.

Directors shall perform their duties independently, not being prejudiced by the substantial shareholders, the de facto controllers of the Company or other units or individuals who have relationships of interests with the Company

Article 10 In the absence of special reasons, Directors and Chairman shall not change randomly during their terms as required under the Articles of Association and shall maintain relatively stable. Any change shall be in compliant with the statutory procedures and formalities (including relevant requirements under the Listing Rules) and shall be disclosed to the public and filed with the CSRC.

Directors may resign prior to the expiry of their terms of office. A resigning Director shall submit a written resignation report to the Board. Should other Directors think the resignation of such Director prior to the expiry of his term of office prejudices the interests of the Company, the Board may conduct a vote regarding whether to consent to the resignation and the resigning Director shall be abstain from voting. In case that the Board dissents his resignation, such Director shall continue to perform his duties until expiry of his term of office. In the event that such Director leaves his office without permission, the Company shall have the right to take legal action against him.

Article 11 The Chairman is entitled to the following powers:

- (1) to preside over general meetings and to convene and preside over the Board meetings;
- (2) to check the implementation of resolutions of the Board;
- (3) to sign the securities issued by the Company;
- (4) to exercise other powers conferred by the Board;
- (5) to sign the securities issued by the Company and other important documents or power of attorney to authorize one or more Directors to sign other important documents of the Company.

Articles 12 The Board of Directors shall be accountable to the general meeting and shall exercise the following functions and powers:

- (1) To be responsible for the convening of the general meeting and to report its work to the shareholders in general meetings;
- (2) To implement the resolutions of general meeting;
- (3) To decide on the business plans and investment plans of the Company;
- (4) To formulate the proposed annual financial budgets and final accounts of the Company;
- (5) To formulate the plans for profit distribution and plan for recovery of losses of the Company;
- (6) To formulate plans for the increase or reduction in the registered capital of the Company and for the issue of debentures of the Company;
- (7) To draft plans for the merger, division, restructuring or dissolution of the Company;
- (8) To decide on the establishment of the Company's internal management organization;
- (9) To decide on the appointment or dismissal of the manager of the Company and on matters concerning his remuneration, and to decide on the appointment or dismissal of the deputy general manager(s) and chief financial officer as proposed by the manager and on matters concerning their performance appraisal and remuneration;
- (10) To formulate the Company's basic management system;
- (11) To formulate the proposal of amendment to the Articles of Association;
- (12) To formulate proposals for major acquisition or disposal;
- (13) Under the premise of observing relevant laws, regulations, the Articles of Association, and related rules, to exercise the Company's rights of financing and borrowing, determine the pledge, lease, sub-contracting and transfer of the Company's important assets, and authorize the general manager to exercise the rights described in this Item within a certain range;

- (14) To make decision on external guarantee matters other than those requiring resolutions of the shareholders at general meetings according to the provisions of laws, administrative regulations and the Articles of Association;
- (15) To determine the external investment, acquisition and disposal of assets, pledge of assets, designated financial management and connected transactions of the Company within the authorisation of the general meeting;
- (16) To manage the employee salary distribution of the Company;
- (17) To decide on the establishment and improvement of internal control system of the Company, and conduct effective monitoring;
- (18) To manage the information disclosure of the Company;
- (19) To propose at general meetings for the appointment or change of auditors;
- (20) To decide to acquire shares of the Company for employee stock ownership plan and share option incentives, to use the shares for conversion into convertible corporate bonds issued by the Company or to maintain corporate value and shareholders' interests as the Company deems necessary;
- (21) To exercise any other powers conferred by the shareholders in general meetings and the Articles of Association.

Except for the resolutions of the Board in respect of the matters specified in clauses (6), (7), (11), (12), (14) and (20) of the preceding Article which shall be passed by two-thirds or more of the Directors, the resolutions of the Directors in respect of all other matters may be passed by more than one half of the Directors.

If any Director of the Company is associated with the enterprises that are involved in the matters to be resolved at the Board meetings, he shall not exercise his voting rights for such matters, nor shall such Director exercise voting rights on behalf of other Directors. Such Board meetings shall be convened by a majority of the Directors present thereat who are not connected. Resolutions made at the Board meetings shall be passed by more than half of the Directors that are not connected. The matters referred to above to be passed by two-thirds or more of the Directors shall be passed by votes of more than two thirds of the Directors that are not connected. If the number of the nonconnected Directors attending the Board meetings is less than three, such matters shall be submitted to the general meeting of the Company for consideration.

The resolutions made by the Board in relation to connected transactions shall not become effective until being signed by the Independent Directors.

The Board of Directors may exercise any powers not stipulated as shall be exercised by the general meetings of shareholders in the Articles of Association. The Board shall comply with the provisions of the Articles of Association and the provisions the general meetings of shareholders may formulated from time to time. However, the regulations developed by the Company's general meeting will not invalidate the valid act the Board of Directors made before the formulation of the provision.

In performing the aforesaid powers, the Board shall comply with relevant laws, regulations, the Listing Rules and other applicable Hong Kong laws, regulations and codes.

Article 13 When making decisions on significant matters of the Company, the Board shall first seek advice from the Party organisation. When the Board appoints the management personnel of the Company, the Party organisation shall consider and provide comments on the candidates for management positions nominated by the Board or the general manager, or recommend candidates to the Board or the general manager.

Article 14 The board of Directors shall not, without the prior approval of shareholders at a general meeting, dispose of or agree to dispose of any fixed assets of the Company where the aggregate of the expected value of the consideration for the proposed disposal and the value of the consideration for any similar disposal of fixed assets in the four months immediately preceding the proposed disposal, exceeds 33% of the value of the Company's fixed assets as stated in the last balance sheet places before the general meeting.

For the purposes of this Article, the term "disposal of fixed assets" shall include the assignment of a certain interest in assets other than by way of security.

The validity of transactions whereby the Company disposes of fixed assets shall not be affected by the breach of the first paragraph hereof.

Article 15 Unless otherwise provided in the applicable laws and regulations and/or Listing Rules, the Board shall have the right to make decisions on investment (including venture investment) or acquisition projects within the authorisation of the shareholders. For major investments or acquisitions beyond the authorisation to the Board, the Board shall engage relevant experts and professionals to appraise and propose it to the general meeting for approval.



Article 16 In the event that the Company is acquired, for safeguarding the stable development of the Company and the interests of the shareholders as a whole, the Board shall engage the professional institutions including independent financial advisers to analyse the financial condition of the Company and give opinions on matters such as the fairness and reasonableness of the terms and conditions of the offer for acquisition and the potential impact of the acquisition on the Company and to publish announcement. Should the Board identify the acquisition as hostile, the Board may, in accordance with the professional opinion of the professional institutions and/or the authorization by the general meeting, implement reasonable measures of reverse takeover.

The Board may report to the relevant supervisory authorities or commence a legal action at court when the acquirer is in breach of the relevant disclosure obligations as required by the Administrative Method on Acquisition of Listed Companies(《上市公司收購管理辦法》) or other relevant laws and regulations, including the Listing Rules and other applicable Hong Kong laws, regulations and codes.

In the event that the Company is acquired or merged or made any material adjustments by the acquirer to the Company's management, the Board shall seek and take advice from the labour union and the staff representatives' meeting of the Company.

For matters referred to in this Article, the Company shall comply with relevant provisions of the Listing Rules and other applicable Hong Kong laws, regulations and codes.

## **Chapter 5 Time for Holding Board Meetings**

Article 17 Meetings of the Board of Directors shall be held at least four times a year. Meetings of the Board of Directors shall be convened by the chairman of the board by giving a notice to all Directors and supervisors 14 days before the meetings to be held.

Article 18 Extraordinary meetings of the Board shall be convened by the Chairman within 10 days upon any of the following circumstances and shall not be subject to the aforesaid limitation on the notice period of meetings:

- (1) when proposed by any shareholder representing more than 10% of voting rights;
- (2) when proposed jointly by more than one-third of the Directors;
- (3) when proposed by the supervisory committee.

- (4) considered as necessary by the Chairman;
- (5) proposed by more than one half of the Independent Directors;
- (6) proposed by the general managers.

## **Chapter 6 Convening and Presiding over the Board Meetings**

Article 19 The Board meeting shall be convened and presided over by the Chairman. In the event that the Chairman fails to or is unable to perform his duties, the vice chairman shall perform such functions and powers on the Chairman's behalf. If a vice chairman is unable or fails to perform his duties, a Director jointly elected by more than half of the Directors shall perform such duties.

## **Chapter 7 Proposal and Notice of the Board Meeting**

Article 20 Before dispatching the notice on convening the regular Board meetings, the Board office shall thoroughly seek all Directors' opinions and submit to the Chairman to decide after preliminarily formulating the meeting proposals.

General managers may be nominated by the Chairman or the Nomination Committee. The Nomination Committee shall conduct the qualification examination and shall prepare the proposal for appointing general managers.

Article 21 If an extraordinary meeting of the Board is proposed to be held in accordance with Article 17 of these Rules, a written proposal signed (sealed) by the proponent shall be through the Board office or directly submitted to the Chairman. The written proposal shall include:

- (1) name or alias of the proponent;
- (2) reasons for or objective facts on which the proposal for convening the extraordinary meeting is based;
- (3) the date or duration, venue and means of the proposed meeting;
- (4) the definite and specific proposal;
- (5) the proponent's contact methods and proposal date, etc.

Content of the proposal shall fall within the scope of the power of the Board as stipulated by the Articles of Association, and shall be submitted together with the relevant materials of the proposal.

The Board office shall pass the above written proposal and relevant materials above to the Chairman on the same day upon receipt. The Chairman may require the proponent to revise or supplement if the content of the proposal is considered as not clear or not specific or relevant materials are not adequate.

Article 22 The notification method, notification time and convening means of the Board meetings (including the extraordinary Board meetings) shall comply with the requirements as follows:

- (1) If the time and location of a regular Board meeting have been specified by the Board in advance, it can be convened without notice. If the time and location of a Board meeting have not been specified by the Board in advance, the Chairman shall order the secretary to the Board to notify all Directors and supervisors the time and location of the meeting by way of email, fax, courier, registered mail or in person not less than 14 days and not more than 30 days prior to such meeting, unless otherwise provided in the Articles of Association.
- (2) When convening an extraordinary Board meeting for emergencies, the Chairman shall authorize the Company Secretary to notify all Directors and supervisors the time, venue and means of the meeting by way of email, fax or in person not less than 2 days and not more than 10 days prior to the extraordinary Board meeting.
- (3) The notice shall be in Chinese and shall include the agenda and topics of the meeting. English translation thereof may be enclosed if necessary.
- (4) Should a Director attend the meeting, and have no dispute relating to non-receipt of notice of the meeting prior to or at the meeting, such notice shall be deemed as having been sent to him.
- (5) Directors may attend the regular or extraordinary Board meeting by telephone or other telecommunication devices. As long as all the attendees are able to hear the speeches of other participants and can have conversations or communicate with each other by such devices, the Directors shall be deemed to have attended the meeting in person.

- (6) The Board meetings may also be convened by way of written resolutions, which means a resolution will be passed through delivering or circulating a pending resolution separately. A Director shall indicate clearly his approval of, abstaining from or objection to the resolution. Such written resolution may consist of several counterparts. If the counterparts are, signed by one or more Directors or other authorized Directors and reach the minimum number of Directors required for passing a resolution according to the Articles of Association, the written resolution shall be deemed as legal and effective. A resolution signed by a Director or his authorised Director and delivered by way of email or fax shall be deemed as signed by such Director.

Article 23 The written notice of the meeting shall at least include the following content:

- (1) the time and venue of the meeting;
- (2) mode through which the meeting is held;
- (3) matters to be considered (draft resolutions for the meeting);
- (4) convener and chairman of the meeting, the proponent of the extraordinary meeting and his written proposal;
- (5) meeting materials necessary for the Directors' voting;
- (6) the requirement that a Director shall attend the meeting in person or shall appoint other Directors to attend the meeting on his behalf;
- (7) the contact person and contact method.

The oral notice of the meeting shall, at least, include content of the above clauses (1) and (2) and the explanation for holding the extraordinary meeting of the Board as soon as possible in case of emergency.

Article 24 If it is necessary to change the time and venue, etc. or add, change and cancel the draft resolutions for the meeting after despatching the written notice of a regular meeting of the Board, the written notice for the change shall be despatched three days before the original date of the meeting to explain the circumstances and relevant contents and materials of the new proposals. If the written notice is despatched less than three days before the original date of the meeting, the meeting shall be postponed accordingly, or held as scheduled after obtaining the approval of all the directors present at the meeting.

If it is necessary to change the time and venue, etc. of the meeting or add, change and cancel the draft resolutions for the meeting after despatching the written notice of an extraordinary meeting of the Board, the approval of all the directors present at the meeting shall be obtained beforehand and relevant records shall be made.

Article 25 All executive directors and external directors must be informed of any significant matter to be decided by the Board within the time stipulated in Article 16 and Article 17 of these Rules and be provided with sufficient information at the same time in strict compliance with the stipulated procedures. Directors may request for the provision of supplementary information.

Where more than one-fourth of the directors or more than two external directors are of the opinion that the information is inadequate or the argument is uncertain, they may jointly request for an adjournment in convening the Board meeting or that part of the agenda of the Board meeting and the Board shall accept such request.

## **Chapter 8 Eligibility for Attendance and Expenses of the Board Meetings**

Article 26 A Director shall attend Board meetings in person, Where a Director is unable to be present, he may appoint in writing other Director to attend the meeting on his behalf. The power of attorney shall set out:

- (1) names of the appointer and the proxy;
- (2) brief opinions on every proposal made by the appointer;
- (3) authorisation scope and directions for voting intent on the proposals of the appointer;
- (4) signature of the appointer and date, etc.

The Directors shall sign written confirmation opinions for regular reports in accordance with law, shall not either entrust others to sign, or refuse to do so on account of having objection to the contents of the regular reports or disagreement with audit institutions. The proxy Director shall submit the written power of attorney to the convener of the Board meeting and state the attendance of proxy on the attendance list of the Board meeting.

Article 27 Appointment of proxy for attending the Board meeting shall comply with the following principles:

- (1) non-connected Directors shall not appoint connected Directors to attend the meeting when considering connected transactions. Connected Directors shall not accept the appointment by the non-connected Directors;
- (2) any Independent Director shall not appoint other non-Independent Directors to attend the meeting on his behalf and a non-Independent Director shall not accept the Independent Directors' appointment;
- (3) Directors shall not grant an appointment of full power without giving his personal opinion and voting intent for the proposals, and the relevant Directors shall not accept the appointment of full power and the appointment without clear authorization;
- (4) any Director shall not accept over two Directors' appointment, and shall not appoint any Director that has accepted the other two Directors' appointment either.

Article 28 A Director shall be deemed to have failed to perform his duties if he fails to attend the Board meetings in person twice consecutively nor appointed other Directors to attend the meetings on his behalf. The Board shall make recommendations to general meetings to replace such Director.

A Director who attends a meeting on behalf of another Director shall exercise the rights of a Director within the scope of authority granted. 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 shall be deemed to have waived his voting rights in respect of that meeting.

Article 29 The reasonable expenses incurred by the Directors who attend meetings of the board shall be borne by the Company. These expenses include the traffic expenses covering the distance between the place where a Director is located and the place where a meeting is held (in the event that these two places are not the same), the fees of room and board during the term of the meeting, the rent of the place of the meeting and the local traffic expenses.

Article 30 Supervisors may attend the Board meeting. The manager and secretary to the Board who do not act as Directors concurrently shall attend the Board meeting. The chairman of the meeting may notify other relevant persons to attend the Board meeting if he considers necessary.

## **Chapter 9 Voting, Resolutions and Minutes of the Board Meetings**

Article 31 Board meetings may only be held if attended by more than one-half of the Directors (including Directors who have appointed in writing other Directors to attend the Board meeting on their behalf under Article 25 of these Rules). If the relevant Directors refuse to attend the meeting or neglects such attendance, which results in the number of participating Directors falling below the quorum of the meeting, the chairman and secretary to the Board shall report to the regulatory authorities promptly.

Article 32 Voting at Board meetings shall be taken by show of hands. Each Director is entitled to one vote. Without prejudice to clause 2 of Article 135 of the Articles of Association, resolutions of the Board shall be passed by more than half of all Directors.

Article 33 The Directors' voting intents are classified as for, against or abstaining. The Directors present at the meeting shall select one from the intents above and the chairman of the meeting shall ask those who fail to select any or simultaneously select more than two intents to reselect and those who refuse to select shall be deemed as abstaining; those who leave the meeting halfway without returning and without selecting any intents shall be deemed as abstaining.

Article 34 For those meetings convened on site, the chairman of the meeting shall announce the voting results on site;

If the directors vote after announcement of the voting results by the chairman of the meeting or after conclusion of the specified voting time, their votes shall not be counted.

Article 35 Except for the resolutions of the Board in respect of the matters specified in clauses (6), (7), (11), (12) and (14) of the Article 12 which shall be passed by two-thirds or more of the Directors, the resolutions of the Directors in respect of all other matters may be passed by more than one half of the Directors.

If any Director of the Company is associated with the enterprises that are involved in the matters to be resolved at the Board meetings, he shall not exercise his voting rights for such matters, nor shall such Director exercise voting rights on behalf of other Directors. Such Board meetings shall be convened by a majority of the Directors present thereat who are not connected. Resolutions made at the Board meetings shall be passed by more than half of the Directors that are not connected. The matters referred to above to be passed by two-thirds or more of the Directors shall be passed by votes of more than two thirds of the Directors that are not connected. If the number of the nonconnected Directors attending the Board meetings is less than three, such matters shall be submitted to the general meeting of the Company for consideration.

The resolutions made by the Board in relation to connected transactions shall not become effective until being signed by the Independent Directors.

Except for obtaining the unanimous consent from all the directors present at the meeting, any proposal not set out in the meeting notice shall not be voted at the Board meeting. Directors who accept other directors' appointment to attend the Board meeting on their behalf shall not vote on the proposals not set out in the meeting notice on the behalf of other directors.

Article 36 In the event that certain director has interests in the matters to be resolved at the Board meeting (such interests include, but not limited to, the relationship of interests with the shareholder unit of the previous employment or shareholder unit providing employment after the proposed resignation or its controller), such director shall abstain from voting on such matters (including resolution on whether the Board agrees to his resignation or not). In case that more than one-half of all directors shall have abstained from voting such that resolutions cannot be passed according to Article 111 of the Company Law, directors who shall abstain from voting may participate in the vote after making a fairness statement which shall be set out in the resolutions of the Board. The aforesaid matters, if otherwise required by laws and regulations (including the Listing Rules), shall be implemented according to such requirements.

Article 37 The Board shall keep minutes of decisions on matters considered, opinions of independent directors and resolutions in writing at their meetings, which shall be signed by the directors attending the meeting and the person preparing the minutes. Minutes of each Board meeting should be available for review by all directors as soon as possible. A director who wishes to make amendments to the minutes should submit his amendments in writing to the chairman of the Board within one week of receipt of the minutes. Minutes of the Board meetings shall be kept at the Company's residence in China with a full copy being issued to each director as soon as possible. Minutes of the Board meeting shall be kept for no less than 10 years.

Article 38 The minutes of the meeting shall include the following matters:

- (1) the session, time, venue and mode of the meeting;
- (2) the status of the despatch of the meeting notice;
- (3) the convener and chairman of the meeting;



- (4) whether the directors attended the meeting in person and by authorisation;
- (5) the proposals considered at the meeting, the gist of every director's speeches and main opinions in respect of relevant matters, and voting intents for the proposals;
- (6) the voting method and voting results in relation to each proposal (with respective number of votes cast "for", "against" and "abstain");
- (7) other matters the directors present at the meeting consider that should be recorded.

Article 39 The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or the Articles of Association and results in the Company sustaining serious loss, the Directors voting for the resolution shall assume direct liabilities. But if it is proved that a Director voting against the resolution has stated his objection at the time the vote was taken and a record thereof has been made in the minutes of the meeting, that Director shall be relieved from liability. A Director who abstains from voting at the meeting, or a Director who neither attends the meeting nor entrusts others to attend the meeting on his behalf shall not be exempted from liabilities; a Director who explicitly expresses his objection in the course of discussion but fails to cast an objection vote shall not be exempted from liability.

## **Chapter 10 Announcement and Implementation of Board Resolutions**

Article 40 Resolutions of the Board shall be announced and disclosed by the secretary to the Board in accordance with the provisions of relevant laws, regulations and the Articles of Association. The directors present at the meeting, persons present as non-voting participants, recording and service personnel, etc. shall have the obligation to keep the content of resolutions confidential before disclosure of the announcement of the resolutions.

Article 41 The chairman shall urge relevant persons to implement the resolutions of the Board meeting, check the implementation of such resolutions, and report the status of implementation of the resolutions passed at subsequent Board meetings.

## **Chapter 11 System of Independent Directors**

Article 42 The Company shall implement a system of independent directors.

Article 43 Independent Directors are Directors holding no posts other than as Director in the Company, as well as having no relationship with the Company and substantial shareholders of the Company which may hinder his independent and objective judgement, and in compliance with the provisions of the listing rules of the stock exchange(s) where the securities of the Company are listed as to independence.

Article 44 An Independent Director shall perform his duties independently and shall not be affected by the substantial shareholders, de facto controllers of the Company or other entities or individuals that have interests in the Company. Independent Directors shall not hold concurrent post of independent directors in more than 5 listed companies, and shall ensure that they have enough time and energy to effectively perform their duties as Independent Directors.

Article 45 An independent director shall meet the following criteria:

- (1) to be qualified as a director of a listed company as specified in laws, administrative regulations, Listing Rules and other relevant regulations;
- (2) to be independent;
- (3) to be in command of the basic knowledge of the operation of a listed company, and familiar with relevant laws, administrative regulations, and rules and regulations;
- (4) having more than five years of work experiences in legal matters, economic matters and other experiences indispensable for performing the duties of an Independent Director;
- (5) other conditions as specified in the Articles of Association or the general meeting.

Article 46 Independent directors shall be independent. The following persons shall not serve as independent directors:

- (1) a person employed by the Company or its affiliated enterprises and the lineal family members and key relatives of such person (lineal family members shall mean, among others, spouse, parents and children; key relatives shall mean, among others, brothers and sisters, fathers-in-law, mothers-in-law, daughters-in-law, sons-in-law, spouses of brothers and sisters, and brothers and sisters of spouse);

- (2) the natural person shareholders directly or indirectly holding more than 1% of the issued shares of the Company or being one of the ten largest shareholders of the Company and their lineal relatives;
- (3) the shareholder unit directly or indirectly holding more than 5% of the issued shares of the Company or being one of the five largest shareholders of the Company and their lineal relatives;
- (4) persons falling within any of the abovementioned three conditions in the recent one year;
- (5) persons providing financial, legal and consulting services to the Company or its affiliated enterprises;
- (6) other persons as specified under the Listing Rules and the Article of Association;
- (7) other persons as stipulated by the CSRC.

Article 47 The Company shall go through the reviewing and filing procedures in respect of the Independent Directors with the relevant regulatory authorities in accordance with laws.

Article 48 The Board, supervisory committee, or shareholders individually or jointly holding more than 1% of the issued shares of the Company are entitled to nominate candidates for Independent Directors to be considered and approved by the Board and elected at general meetings.

Article 49 Nominator(s) of Independent Directors shall obtain the consent from the nominee prior to any nomination. The nominator shall acquire all the personal particulars of his nominee as to his profession, education, academic title, detailed work experiences, and all part time jobs, and shall comment on his qualification and independence for acting as an Independent Director. The nominee shall make a public statement that he has no relationship with the Company which may hinder his independent and objective judgement. Prior to the general meeting for the election of Independent Directors, the Board of Directors of the Company shall make announcement regarding the above matters in accordance with the Listing Rules and other applicable regulations.

Article 50 Should an Independent Director fail to attend in person the Board meetings for three times consecutively, the Board may propose to the general meeting for replacing such Directors.

Except for the above circumstances and the circumstances that a person cannot serve as a Director as stipulated in the Listing Rules and Company Law, Independent Directors shall not be dismissed without any reason before expiry of their terms. If an Independent Director is removed before expiry of his term of office, the Company shall disclose this as a special disclosure and comply with the relevant requirements under the Listing Rules. The Independent Director so removed may make a public statement if he believes the reason for his removal is unjustified.

Article 51 Apart from the powers granted to a director by the Company Law, the Articles of Association and other relevant laws and regulations, the Company further grants an Independent Director the following special powers:

- (1) transactions entered into between the Company and its connected parties at a total amount of more than RMB3,000,000 or more than 5% of the latest audited net asset value of Company are subject to approval of Independent Directors before submission to the Board for consideration. Prior to the judgement by the Independent Directors, they may appoint intermediaries to issue an independent financial advising report as the basis for their judgment;
- (2) to propose to the Board for the appointment or dismissal of accounting firms;
- (3) to propose to the Board to convene an extraordinary general meeting;
- (4) to propose to hold a Board meeting;
- (5) to independently engage external auditing institutions and consulting institutions.

To exercise any of the abovementioned powers, the Independent Director(s) shall obtain the consent of more than half of the Independent Directors.

The Board of Directors of the Company shall establish Remuneration Committee, Audit Committee and Nomination Committee. The Independent Directors of the Company shall represent more than one half in such committees.

Article 52 Apart from the above duties, the Independent Directors shall give their independent opinions to the Board or the general meetings in respect of the following matters:

- (1) nomination, appointment and dismissal of Directors;
- (2) appointment or dismissal of Senior Management;
- (3) remunerations of the Directors and Senior Management;
- (4) any borrowings or other capital transfers, existing or newly occurred, made between the Company and the shareholders, de facto controllers of the Company and their connected enterprises involving a total amount of more than RMB3 million or more than 5% of the latest audited net assets value of the Company; and whether the Company shall adopt any effective measures to recover the arrears;
- (5) matters considered by the Independent Directors as possibly infringing the rights and interests of minority shareholders of the Company;
- (6) other matters as specified under the Listing Rules and the Articles of Association.

The Independent Directors shall give their opinions in respect to the abovementioned matters in the following categories: approval; qualified opinion and the reasons thereto; dissenting opinion and the reasons thereto; unable to present opinion and the obstacles thereto.

Should the matters be discloseable under the Listing Rules and other applicable laws and regulations, the Company shall publish an announcement in relation to the opinions of the Independent Directors in accordance with the above requirements. Should there be discrepancy among the opinions from the Independent Directors and no consensus can be reached, the Board shall disclose the opinions from each of the Independent Directors individually (and shall comply with the Listing Rules, if applicable).

Article 53 For the purpose of effective performance of the functions and powers of the Independent Directors, the Company shall provide the Independent Directors with the following conditions:

- (1) The Company shall ensure that the Independent Directors will enjoy the same right to information as other Directors. For the matters subject to decisions by the Board, the Company shall, in accordance with the statutory provisions, inform the Independent Directors in advance and provide them with adequate information. If the Independent Directors consider the said information being inadequate, they may request for supplementary information. Where two or more Independent Directors hold that the information is inadequate or the proofs are indefinite, they may jointly propose in writing to the Board to postpone the Board meeting or postpone the consideration of the matters in question, and the Board shall accept such proposal.

The Company shall keep any information it provides to the Independent Directors and the Independent Directors shall keep such information for a period no less than five years.

- (2) The Company shall provide the Independent Directors with the necessary working conditions to perform their duties. The secretary to the Board of Directors of the Company shall actively assist the Independent Directors in performing their duties such as briefing and providing materials. In the event that the independent opinion, proposal and written statement from the Independent Directors are required to be announced pursuant to the Listing Rules, the secretary to the Board shall make such announcement at the stock exchange(s) where the securities of the Company are listed and other necessary matters in due course.
- (3) When the Independent Directors perform their functions and powers, the employees of the Company shall assist by all means and shall not refuse, obstruct, or conceal, or interfere with their independent exercise of functions and powers.
- (4) The expenditures of engaging intermediaries by the Independent Directors or other expenditures required for performing their functions and powers shall be borne by the Company.

- (5) The Company shall pay the Independent Directors subsidies of appropriate sums. The standards of the said subsidies shall be formulated and proposed by the Board in general meeting for consideration and approval and shall be disclosed in the annual report of the Company.

Apart from the abovementioned subsidies, the Independent Directors shall not acquire other additional and undisclosed interests from the Company, its major shareholders or institutions and persons of interests with the Company.

- (6) The Company may establish a requisite insurance mechanism for Independent Directors to minimize the risks possibly incurred due to the ordinary performance of the duties by the Independent Directors.

## **Chapter 12 Secretary to the Board**

Article 54 The Company shall have a secretary to the Board, who shall be appointed by the Board and is a Senior Management of the Company.

The Board shall appoint representative of securities affairs to assist the work of the secretary to the Board.

Article 55 The secretary to the Board shall be a natural person who is of the requisite professional knowledge and experience, and shall be appointed by the Board. His primary responsibilities are:

- (1) to ensure the Company has complete constitutional documents and records;
- (2) to ensure the Company in accordance with laws prepares and delivers the reports and documents as required by the authorities entitled thereto;
- (3) to ensure that the Company's registers of shareholders are properly maintained, and that the persons entitled to the access to the relevant records and documents are furnished with the same without delay;
- (4) to perform other duties of a secretary to the Board as stipulated in laws and the Articles of Association (including the reasonable requirements from the Board).

Article 56 Major responsibilities of the secretary to the Board include:

- (1) to assist Directors in dealing with the day-to-day affairs of the Board, continuously provide the Directors with, remind the Directors of and ensure the Directors to be well informed of the regulations, policies and requirements of both domestic and foreign regulatory organizations concerning corporate operation, and to assist Directors and manager in practically complying with the domestic and foreign laws, regulations, the Articles of Association and other relevant regulations when performing their functions and powers;
- (2) to be responsible for the organization and preparation of the relevant documents for the Board meetings and the general meetings, to make proper minutes of the meetings, to ensure that the decision(s) at the meetings are in conformity with the legal procedures, and to keep abreast of the implementation of the resolutions passed at Board meetings;
- (3) to be responsible for organization and coordination of information disclosure, to coordinate the investor relations and to enhance the transparency of the Company;
- (4) to participate in and organize the capital market financing;
- (5) to deal with the relationships with the intermediaries, regulatory authorities and the media for a favourable public relations.

Article 57 Term of reference for the secretary to the Board:

- (1) to organize and arrange for Board meetings and general meetings; to prepare meeting materials, to handle relevant meeting affairs; to prepare minutes of the meetings and ensure their accuracy; to keep meeting documents and minutes; to proactively monitor the progress of the implementation of relevant resolutions; to report any important issues occurred during the implementation and give suggestions to the Board;
- (2) to ensure any material matters decided by the Board of Directors of the Company to be carried out in strict compliance with the procedures stipulated; as requested by the Board, to participate in the arrangement of consultation on and analysis of the matters to be decided by the Board and offer relevant opinions and suggestions; to handle the day-to-day affairs of the Board and its committees as entrusted;



- (3) to act as the liaison officer of the Company with the regulatory securities authorities, to be responsible for the organization, preparation and timely submission of the documents as required by the regulatory authorities as well as to be responsible for taking up any tasks assigned by the regulatory authorities and organizing the completion thereof;
- (4) to be responsible for coordinating and organizing the Company's information disclosure; to establish and improve the relevant information disclosure system; to attend all the Company's meetings involving information disclosure; and to keep abreast of the Company's material operation decisions and related information in a timely manner;
- (5) to be responsible for the confidentiality of the Company's price-sensitive information and establishing effective confidentiality systems and measures; in case of any of the Company's price-sensitive information divulged for any reason, to take necessary remedial measures by giving explanation and clarification in a timely manner, and notifying the regulatory authorities in overseas jurisdictions where the Company is listed and the CSRC, as well as complying with the relevant requirements under the Listing Rules;
- (6) to be responsible for coordinating and organizing marketing activities; to coordinate reception of visitors, to handle the investor relations; to keep in touch with the investors, intermediaries and news media; to coordinate replies to inquiries from the public; and to ensure that the investors will obtain the information disclosed by the Company in a timely manner; to organize and prepare the Company's domestic and overseas marketing and promotion activities; to prepare summary reports on marketing and important visits; and to organize matters relating to the reports to the CSRC;
- (7) to be responsible for managing and maintaining the register of shareholders, register of Directors, records and information of the shareholding of substantial shareholders and Directors, as well as the list of equity holders of debentures issued by the Company;

- (8) to assist the Directors and the managers in practically complying with the domestic and foreign laws, regulations, Listing Rules, the Articles of Association and other relevant provisions during exercising their functions and powers. Upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant provisions, the secretary to the Board is obligated to immediately remind the Company and is entitled to report such facts to the CSRC and other regulatory authorities;
- (9) to coordinate the provision of necessary information and data to the Company's supervisory committee and other examination authorities to discharge their supervising duties; to assist the investigation on the chief financial officer, Directors and managers of the Company in discharging their fiduciary duties;
- (10) to exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by laws in any domestic and overseas jurisdictions where the Company is listed.

Article 58 The secretary to the Board of Directors of the Company, in principle, shall be served by full-time personnel. If the post is concurrently assumed by a Director or other Senior Management of the Company, such person shall ensure that he has enough energy and time to assume the duties of the secretary to the Board. The general managers (excluding the deputy ones) and chief financial officer shall not concurrently hold the post of the secretary to the Board. The accountant(s) of the certified public accountants' firm appointed by the Company shall not concurrently hold the post of the secretary to the Board.

Where the office of the secretary to the Board is held concurrently by a Director, and an act is required to be done by a Director and the secretary to the Board separately, the person who holds the office of Director and secretary to the Board may not perform the act in dual capacity.

In the event that the shares of the Company are listed in the Hong Kong Stock Exchange, the Company may have a company secretary qualified under the requirements of the Hong Kong Stock Exchange to handle the relevant matters.

## Chapter 13 Supplementary Provisions

Article 59 Unless otherwise stated herein, the terms used in these Rules shall have the same meaning as those used in the Articles of Association and shall be construed according to the definitions and interpretation in the Articles of Association.

Article 60 Matters not included in the these Rules are subject to regulations of the Company Law, Securities Law, Corporate Governance Code and other relevant laws and regulations, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange, other applicable laws, rules or codes of Hong Kong, and the Articles of Association.

Article 61 Should there be any discrepancy between these Rules and the Articles of Association, the latter shall prevail.

Article 62 Should there be any discrepancy between these Rules or the Articles of Association and the Company Law, Securities Law, Corporate Governance Code and other relevant laws and regulations, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange, the latter documents shall prevail.

Article 63 The Company shall amend these Rules upon existence of any of the following circumstances:

- (1) matters stipulated by these Rules are in conflict with the amended Company Law, Securities Law, Corporate Governance Code and other relevant laws and regulations, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange or the Articles of Association;
- (2) the general meeting resolves to amend these Rules.

Article 64 These Rules shall be submitted to the general meeting for consideration and approval and shall be effective upon obtaining the approval from the CSRC in respect of listing of the A shares of the Company and the completion of the issue of A shares. Any amendment to these Rules shall be resolved at general meeting. Amendment proposal shall be made by the Board within the authority granted by the general meeting and shall come into effect upon approval at general meeting.

Article 65 The power of interpretation of these Rules shall be vested in the Board of Directors of the Company.