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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **First Tractor Company Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED\***

*(a joint stock company incorporated in The People's Republic of China with limited liability)*

(Stock Code: 0038)

### **(1) ELECTION OF A SUPERVISOR ; AND (2) PROPOSED AMENDMENTS TO THE DECISION MAKING PRINCIPLES ON INVESTMENTS AND OPERATION**

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A letter from the Board is set out on pages 1 to 10 of this circular.

A notice for convening the EGM of First Tractor Company Limited\* to be held at 2:30 p.m. on 23 February 2021 (Tuesday) at No. 154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China and a form of proxy for use at the EGM, have already been sent to shareholders on 7 January 2021.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. The form of proxy shall be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the H shareholders), or at the registered address and principal place of business of the Company at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC (for the A shareholders), as soon as possible and in any event not less than 24 hours before the time scheduled for holding the EGM (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire.

\* *For identification purposes only*

7 January 2021

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following terms shall have the following meanings:*

“Articles of Association”	Articles of Association of the Company, as amended from time to time;
“Board”	the board of Directors;
“Board of Supervisors”	the board of Supervisors;
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H shares and A shares of which are listed on the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively;
“Decision Making Principles on Investments and Operation”	the Decision Making Principles on Investments and Operation of the Company, as amended from time to time;
“Director(s)”	the director(s) of the Company, including the independent non-executive directors;
“EGM”	the 2021 first extraordinary general meeting of the Company to be convened and held at 2:30 p.m. on 23 February 2021, Tuesday, at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC for the Shareholders to consider and if thought fit, approve, among other things, the resolutions in relation to (i) approving the appointment of Mr. Wang Dongxing as a Supervisor of the eighth session of the Board of Supervisors (non-employee representative Supervisor); and (ii) approving and confirming the proposed amendments to the Decision Making Principles on Investments and Operation;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	31 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Supervisor(s)”	the supervisor(s) of the Company.

\* For identification purposes only

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## LETTER FROM THE BOARD

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# 第一拖拉机股份有限公司 FIRST TRACTOR COMPANY LIMITED\*

(a joint stock company incorporated in The People's Republic of China with limited liability)

(Stock Code: 0038)

*Board of Directors:*

Mr. Li Xiaoyu (*Chairman*)  
Mr. Cai Jibo (*Vice Chairman*)  
Mr. Liu Jiguo  
Mr. Li Hepeng  
Mr. Xie Donggang  
Mr. Zhou Honghai  
Ms. Yang Minli\*\*  
Ms. Wang Yuru\*\*  
Mr. Edmund Sit\*\*

*Registered and principal office:*

No. 154 Jianshe Road  
Luoyang, Henan Province  
The PRC

\*\* *Independent non-executive Director*

7 January 2021

*To the Shareholders*

Dear Sir or Madam,

### **ELECTION OF A SUPERVISOR AND THE AMENDMENTS TO THE DECISION MAKING PRINCIPLES ON INVESTMENTS AND OPERATION**

#### **INTRODUCTION**

The purpose of this circular is to provide you with details of the election of a Supervisor and the amendments to the Decision Making Principles on Investments and Operation to enable you to make an informed decision on whether to vote for or against or abstain from voting on the proposed resolution(s) at the EGM.

#### **(1) ELECTION OF A SUPERVISOR**

Reference is made to the announcement of the Company dated 4 December 2020.

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## LETTER FROM THE BOARD

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Due to work re-arrangement, Mr. Zhang Hongsheng has tendered his resignation from the office of chairman of the Board of the Supervisors and a Supervisor of the Company. His resignation has come into effect upon the letter being delivered to the Board of Supervisors of the Company (i.e. coming into effect on 3 December 2020). After resignation, Mr. Zhang Hongsheng ceased to hold any position in the Company.

Mr. Zhang Hongsheng has confirmed that he has no disagreement with the Board of Supervisors and the Board of the Company, and there are no other matters in relation to his resignation that need to be brought to the attention of the Shareholders of the Company.

According to the nomination by the Board of Supervisors, the Company has proposed to appoint Mr. Wang Dongxing as the candidate for a Supervisor of the eighth session of the Board of Supervisors of the Company and the resolution in relation to approving the appointment of Mr. Wang Dongxing as a Supervisor of the eighth session of the Board of Supervisors (non-employee representative Supervisor) will be submitted to the EGM for consideration.

The biographic details of Mr. Wang Dongxing are set out below:

Mr. Wang Dongxing (“**Mr. Wang**”), aged 49, a senior economist, currently serves as a member of the Standing Committee of Party Committee of and the Secretary of the Discipline Inspection Commission of YTO Group Corporation\* (中國一拖集團有限公司). Mr. Wang joined YTO Group Corporation\* in November 2020. He once served as the chairman, Party Secretary and general manager of Baoding Swan Chemical Fiber Group Company Limited\* (保定天鵝化纖集團有限公司), the chairman of Baoding Swan Company Limited\* (保定天鵝股份有限公司), the chairman, Party Secretary and general manager of Hi-Tech Fiber Group Corporation\* (恒天纖維集團有限公司), and the assistant to general manager and vice president of China Hi-Tech Group Corporation (中國恒天集團有限公司). Mr. Wang studied at Hebei University and Southwestern University of Finance and Economics, and holds a bachelor degree in Education and a doctorate in Economics. He has extensive experience in areas such as corporate management.

Save as disclosed above, Mr. Wang does not hold any position in the Company or any other members of the Company, nor did he hold any directorship in any other listed companies in the last three years.

If Mr. Wang is appointed as a Supervisor, his term of office shall be from the date of the EGM to the expiry of the eighth session of the Board of Supervisors of the Company. Mr. Wang, as a Supervisor of the Company, will be remunerated according to the remuneration plan for the Supervisors of the eighth session of the Board of Supervisors of the Company.

Save as disclosed above, Mr. Wang has no relationship with any Directors, senior management of the Company or with any substantial or controlling shareholders of the Company.

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## LETTER FROM THE BOARD

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So far as the Directors are aware, as at the Latest Practicable Date, Mr. Wang does not have any interest in the shares of the Company (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)).

In relation to the appointment of Mr. Wang as a Supervisor of the Company, there is no information required to be disclosed pursuant to any of the requirements under Rules 13.51(2) (h) to 13.51(2) (v) of the Listing Rules, and there is no matter that needs to be brought to the attention of the Shareholders of the Company.

### (2) PROPOSED AMENDMENTS TO THE DECISION MAKING PRINCIPLES ON INVESTMENTS AND OPERATION

The Company has established an examination and approval mechanism of hierarchical authorization and collective decision-making on major operation and investments of the Company for the general meeting, the Board and the management. In order to further enhance the efficiency in decision-making and strive for better decision-making effects and in accordance with relevant regulations on state-owned enterprise equity investment and asset disposal, etc., the Company proposes to amend the approval process and mandates for long-term equity investments, fixed assets, construction in progress and other asset disposals and donations to external party stipulated in the Decision Making Principles on Investments and Operation of the Company in combination with the current business operation situation. Details of the amendments are set out below:

Before the Amendment	After the Amendment
<p><b>Existing Article 11</b> Long-term equity investments include investments in merger and acquisition, newly established companies and share capital increase by the Company or its subsidiaries through means including injection of cash, tangible assets, intangible assets (including land use rights, etc.) or through purchase of equity securities (including shares) for the purpose of acquiring equity interests of target enterprises.</p>	<p><b>Article 11</b> Long-term equity investments refer to the investments conducted by the Company or its subsidiaries through means including injection of cash, creditor's rights, tangible assets, intangible assets (including land use rights, etc.) or through equity interests for the purpose of acquiring equity interests of target enterprises, including newly established subsidiaries and capital contribution, merger and acquisition and other investments in equity interests.</p>
<p>Long-term equity disposal involves external transfer, decreasing capital of or liquidating all or part of the equity interests in the investee companies, and decreasing capital of or liquidating subsidiaries of the Company.</p>	<p>Long-term equity disposal involves external transfer, decreasing capital of or liquidating all or part of the equity interests in the investee companies, and decreasing capital of or liquidating subsidiaries of the Company.</p>

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## LETTER FROM THE BOARD

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Before the Amendment	After the Amendment
<p><b>Existing Article 12</b> Approval Powers and Procedures of Decision Making on Long-term Equity Investments and Disposal</p> <ol style="list-style-type: none"> <li>1. A single long-term equity investment or disposal of amount less than RMB15 million (the book value or appraised value, whichever is higher; or the net assets value for liquidation of enterprises, similarly hereinafter) shall be subject to the approval of general manager office;</li> <li>2. A single long-term equity investment or disposal of amount more than RMB15 million, with the accumulated amount for twelve consecutive months of not more than 50% of the latest audited net assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;</li> <li>3. A long-term equity investment or disposal with an accumulated amount for twelve consecutive months of more than 50% of the latest audited net assets of the Company shall be submitted to the general meeting for approval after being discussed and passed by the board;</li> </ol>	<p><b>Article 12</b> Approval powers and procedures of Long-term equity investments</p> <ol style="list-style-type: none"> <li>1. A single long-term equity investment amount less than RMB50 million (the book value or appraised value, whichever is higher; similarly hereinafter) shall be subject to the approval of general manager office;</li> <li>2. A single long-term equity investment amount more than RMB50 million, with the accumulated amount for twelve consecutive months of not more than 50% of the latest audited net assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;</li> <li>3. A long-term equity investment with an accumulated amount for twelve consecutive months of more than 50% of the latest audited net assets of the Company shall be submitted to the general meeting for consideration and approval after being discussed and passed by the board;</li> </ol>

## LETTER FROM THE BOARD

Before the Amendment	After the Amendment
<p>4. Merger, separation and external investments in subsidiaries that would not result in changes of de facto controlling interests in the Company shall be subject to the approval of general manager office; external investments in subsidiaries that would result in changes of de facto controlling interests in the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;</p> <p>5. Write-off of long-term equity interests shall be made in accordance with approval powers and procedures of decision making on assets write-off stated in these Principles.</p>	<p>4. For the same investment project with both equity investment and fixed asset investment, the approval powers of which shall be determined by two investment approval levels, whichever is higher.</p>
	<p><b>Newly added Article 13:</b></p> <p><b>Article 13</b> Approval Powers and Procedures of Decision Making on Long-term Equity Disposal</p> <p>1. A single long-term equity disposal of amount less than RMB15 million (the book value or appraised value, whichever is higher; or the net assets value for liquidation of enterprises, similarly hereinafter) shall be subject to the approval of general manager office;</p> <p>2. A single long-term equity disposal of amount more than RMB15 million, with the accumulated amount for twelve consecutive months of not more than 50% of the latest audited net assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;</p>

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## LETTER FROM THE BOARD

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Before the Amendment	After the Amendment
	<p>3. Long-term equity disposal with an accumulated amount for twelve consecutive months of more than 50% of the latest audited net assets of the Company shall be submitted to the general meeting for consideration and approval after being discussed and passed by the board;</p> <p>4. Merger, separation and external investments in subsidiaries that would not result in changes of de facto control in the Company shall be subject to the approval of general manager office; external investments in subsidiaries that would result in changes of de facto control in the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;</p> <p>5. Write-off of long-term equity interests shall be made in accordance with approval powers and procedures of decision making on assets write-off stated in these Principles.</p>
<p><b>Existing Article 16</b> Assets disposal (including construction in progress, fixed assets and intangible assets) refers to the Company's transfer or surrender of part or whole of the ownership and right of use in respect of its assets as well as deregistration of domestic branches and overseas offices.</p>	<p><b>Article 17</b> Assets disposal (including construction in progress, fixed assets and intangible assets) refers to the Company's transfer of part or whole of the ownership and right of use in respect of its assets.</p>

## LETTER FROM THE BOARD

Before the Amendment	After the Amendment
<p><b>Existing Article 18</b> Approval powers and procedures of decision making on asset disposal:</p> <ol style="list-style-type: none"> <li>disposals of construction in progress, fixed assets and intangible assets, as well as the deregistration of domestic branches and overseas offices in an individual amount (the book value or appraised value, whichever is higher; or the net assets value for the deregistered branches and offices, similarly hereinafter) less than RMB10 million with the aggregate amount for twelve consecutive months of less than RMB30 million shall be subject to the approval of the general manager office of the Company;</li> <li>disposals of construction in progress, fixed assets and intangible assets, as well as the deregistration of domestic branches and overseas offices in an individual amount exceeding RMB10 million with the aggregate amount for twelve consecutive months being not more than 30% of the latest audited total assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office; in particular, the aggregate amount of fixed assets being disposed in four consecutive months shall not be more than 33% of the Company's fixed assets as shown in its latest audited balance sheet;</li> </ol>	<p><b>Article 19</b> Approval powers and procedures of decision-making on asset disposal:</p> <ol style="list-style-type: none"> <li>disposals of construction in progress, fixed assets and intangible assets with expected disposal price (or prior estimate value) less than RMB30 million (whichever is higher, similarly hereinafter) in an individual disposal shall be subject to the consideration and approval of the general manager office of the Company; disposals with expected disposal price (or prior estimate value) exceeding RMB30 million shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company;</li> <li>disposals of assets in accordance with the above approval powers with the aggregate disposal amount of fixed assets for four consecutive months of more than 33% of the value of the Company's fixed assets as shown in its latest audited balance sheet, or disposals of assets within one year of more than 30% of the latest audited total assets of the Company, or disposals of assets which shall be submitted to the general meeting of the Company for approval under the Listing Rules, shall be implemented after being discussed and passed by the general meeting.</li> </ol>

## LETTER FROM THE BOARD

Before the Amendment	After the Amendment
<p>3. disposals of fixed assets with the aggregate amount for four consecutive months of more than 33% of the Company's fixed assets as shown in its latest audited balance sheet, or disposals of assets within one year (including construction in progress, fixed assets and intangible assets but excluding raw materials and products) of more than 30% of the latest audited total assets of the Company shall be subject to the approval at the general meeting.</p>	
<p><b>Existing Article 25</b> Approval powers and procedures of decision making on donations to external party are as follows:</p> <p>1. Any separate donations or sponsorship to external party of an amount not more than RMB200,000 with the accumulated amount of not more than RMB500,000 in a year shall be subject to the approval of the general manager office;</p> <p>2. Any separate donations to external party of an amount of more than RMB200,000 but not more than RMB500,000 with the accumulated amount of more than RMB500,000 but not more than RMB1 million in a year shall be submitted to the chairman of the board for approval after being discussed and passed by the general manager office of the Company;</p>	<p><b>Article 26</b> Approval powers and procedures of decision making on donations to external party :</p> <p>1. Any separate donations or sponsorship to external party of an amount not more than RMB500,000 with the accumulated amount of not more than RMB1 million in a year shall be subject to the approval of the general manager office;</p> <p>2. Any separate donations to external party of an amount of more than RMB500,000 but not more than RMB1 million with the accumulated amount of more than RMB1 million but not more than RMB2 million in a year shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company;</p>

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## LETTER FROM THE BOARD

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Before the Amendment	After the Amendment
3. Any separate donations to external party of an amount of more than RMB500,000 but not more than RMB1 million with the accumulated amount of more than RMB1 million but not more than RMB2 million in a year shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company;	3. Any donations to external party exceeding the above amount shall be submitted to the general meeting for consideration and approval after being considered and passed by the board.
4. Any donations to external party exceeding the above amount shall be submitted to the general meeting for consideration and approval after being considered and passed by the board.	

Saved as mentioned above, other contents of the Decision Making Principles on Investments and Operation shall remain unchanged.

The full text of the revised Decision Making Principles on Investments and Operation is set out in Appendix 1 to this circular. The English version of the revised Decision Making Principles on Investments and Operation is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

### EGM

The EGM will be held at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, on 23 February 2021, Tuesday, at 2:30 p.m., at which, among others, ordinary resolutions will be proposed to seek the Shareholders' approval for (1) approving the appointment of Mr. Wang Dongxing as a Supervisor of the eighth session of the Board of Supervisors (non-employee representative Supervisor) and (2) approving and confirming the proposed amendments to the Decision Making Principles on Investments and Operation. No Shareholders of the Company are required to abstain from voting at the EGM with respect to the ordinary resolutions in relation to (1) approving the appointment of Mr. Wang Dongxing as a Supervisor of the eighth session of the Board of Supervisors (non-employee representative Supervisor) and (2) approving and confirming the proposed amendments to the Decision Making Principles on Investments and Operations. At the EGM, votes will be taken by poll.

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## LETTER FROM THE BOARD

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The notice of the EGM and the form of proxy for use at the EGM were despatched to Shareholders on 7 January 2021. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or the registered address and principal place of business of the Company at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the meeting (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment if you so desire.

### RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the resolutions in relation to the election of a Supervisor and the amendments to the Decision Making Principles on Investments and Operation are in the interests of the Company and the Shareholders as a whole and therefore recommend all Shareholders to vote in favour of the relevant resolutions for approving the election of a Supervisor and the amendments to the Decision Making Principles on Investments and Operation at the EGM.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**First Tractor Company Limited\***  
**Yu Lina**  
*Company Secretary*

\* *For identification purposes only*

**Decision Making Principles on Investments and Operation of First Tractor Company Limited\***

**(This is the amended draft, which is subject to the consideration and approval at the general meeting of the Company)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to specify the approval powers of organizations such as the general meeting, the board and business management team of First Tractor Company Limited\* (hereinafter the “**Company**”) over the decision-making on the investments and operation of the Company and ensure compliant, scientific, safe and efficient decision-making of the Company, these Principles are formulated in accordance with the relevant laws and regulations such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange Listing Rules (collectively the “**Listing Rules**”), and provisions of the Articles of Association of First Tractor Company Limited\* (hereinafter the “**Articles of Association**”).

**Article 2** Decision-making on investments and operation of the Company referred herein includes:

- (1) external investments of the Company;
- (2) capital expenditures and assets disposal;
- (3) financing;
- (4) entrusted loans;
- (5) assets write-off;
- (6) donations to external party;
- (7) decision-making on other material investments and operation.

**Article 3** Any investment and operational activities of the Company shall comply with the relevant regulations and industry policies of the State, cater for the Company’s development strategy and industry planning, facilitate the Company’s sustainable development, bring expectable investment returns and ultimately enhance the value of the Company.

- Article 4** The directors, supervisors and general manager of the Company shall act diligently and be responsible and shall interpret and construe the provisions of these Principles with reference to the generally accepted standards in the industry. Any judgments on matters of the decision-making on the Company's investments and operation shall be made in the interest of the Company and on the principle of asset safety.
- Article 5** Prior to any decision-making on investments by the Company, the general manager of the Company shall organize relevant departments to institute an investigation study for evidence and proof on the profitability, prospects and risks, etc. of the investment project.
- Article 6** Prior to any decision-making on disposal of the Company's assets by the Company, the general manager of the Company shall organize and assign relevant departments to institute an investigation study on the basic information such as conditions of use of the assets to be disposed.
- Article 7** The approval principle of the "Three Major and One Significant (三重一大)" of the Company shall be strictly complied with as to decision-making on investments and operation involving "Three Major and One Significant (三重一大)" of the Company.
- Article 8** The approval powers of the Company in respect of the decision-making on investments and operation are determined mainly by the amount of the relevant matters. If the amount of an investment or disposal project of the Company is lower than the standard that is required to be considered by the board or general meeting as stipulated under these Principles, but such project shall be submitted to the board or general meeting for approval under the Listing Rules, or the general manager, chairman or board of the Company consider that such investment or disposal project may have significant impact on the Company, the investment or disposal project shall be submitted by the general manager, chairman or board of the Company to the board or general meeting for consideration and approval.
- Article 9** The general manager office may stipulate approval authority and procedures in details by making relevant management principles in respect of decision-making on investments and operation within its authority.

## **CHAPTER 2 APPROVAL POWERS AND PROCEDURES OF DECISION MAKING ON EXTERNAL INVESTMENTS AND DISPOSAL**

- Article 10** External investments and disposal of the Company referred herein involve long-term equity investments and disposal, and sales and purchase of financial assets etc.

**Article 11** Long-term equity investments refer to the investments conducted by the Company and its subsidiaries through means including injection of cash, creditor's rights, tangible assets, intangible assets (including land use rights, etc.) or through equity interests for the purpose of acquiring equity interests of target enterprises, including newly established subsidiaries, capital contribution, merger and acquisition and other investments in equity interests.

Long-term equity disposal involves external transfer, decreasing capital of or liquidating all or part of the equity interests in the investee companies by the Company, and decreasing capital of or liquidating subsidiaries of the Company.

**Article 12** Approval powers and procedures of decision-making on long-term equity investments

1. A single long-term equity investment amount less than RMB50 million (the book value or appraised value, whichever is higher; similarly hereinafter) shall be subject to the approval of general manager office;
2. A single long-term equity investment amount more than RMB50 million, with the accumulated amount for twelve consecutive months of not more than 50% of the latest audited net assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;
3. Long-term equity investments with an accumulated amount for twelve consecutive months of more than 50% of the latest audited net assets of the Company shall be submitted to the general meeting for consideration and approval after being discussed and passed by the board;
4. For the same investment project with both equity investment and fixed asset investment, the approval powers of which shall be determined by two investment approval levels, whichever is higher.

**Article 13** Approval powers and procedures of decision making on long-term equity disposal

1. A single long-term equity disposal amount less than RMB15 million (the book value or appraised value, whichever is higher; or the net assets value for liquidation of enterprises, similarly hereinafter) shall be subject to the approval of general manager office;
2. A single long-term equity disposal amount more than RMB15 million, with the accumulated amount for twelve consecutive months of not more than 50% of the latest audited net assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;

3. Long-term equity disposals with an accumulated amount for twelve consecutive months of more than 50% of the latest audited net assets of the Company shall be submitted to the general meeting for consideration and approval after being discussed and passed by the board;
4. Merger, separation and external investments in subsidiaries that would not result in changes of de facto control in the Company shall be subject to the approval of general manager office; external investments in subsidiaries that would result in changes of de facto control in the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;
5. Write-off of long-term equity interests shall be made in accordance with approval powers and procedures of decision making on assets write-off stated in these Principles.

**Article 14** Sales and purchase of financial assets refers to sales and purchase of financial investment by the Company including but not limited to debentures, stocks, funds, interbank deposits, wealth management products and trust funds.

**Article 15** Approval powers and procedures of decision-making on sales and purchase of financial assets of the Company:

1. the Company's sales and purchase of financial assets will be controlled based on the overall scale. The financial department will propose the annual financial assets investment amount based on the capital position of the Company and the situation of the capital market on a yearly basis;
2. sales and purchase of financial assets with an investment amount less than 10% of the latest audited net assets of the Company shall be subject to consideration and approval by the general manager office; sales and purchase of financial assets exceeding the abovementioned amount shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company.

### CHAPTER 3 APPROVAL POWERS AND PROCEDURES OF DECISION-MAKING ON CAPITAL EXPENDITURE AND ASSETS DISPOSAL

**Article 16** Capital expenditures refer to investments in fixed assets by the Company such as infrastructure, technology renovation or property furnishing, and acquisition of other fixed assets or intangible assets as well as injection of capital for establishment of domestic branches and overseas offices.

**Article 17** Assets disposal (including construction in progress, fixed assets and intangible assets) refers to the Company's transfer of part or whole of the ownership and right of use in respect of its assets.

Current assets and others assets incurred in the operation of the Company are managed in accordance with the relevant requirement and procedure in terms of business operation activities and excluded from the management scope of these Principles.

**Article 18** Approval powers and procedures of decision-making on capital expenditures:

1. A single capital expenditure amount less than RMB40 million with the accumulated capital expenditure of less than RMB400 million in an accounting year shall be subject to the consideration and approval by the general manager office of the Company;
2. A single capital expenditure amount exceeding RMB40 million but not more than 30% of the audited net assets of the Company for the latest accounting year, with the accumulated capital expenditure for twelve consecutive months of not more than 30% of the latest audited total assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company;
3. Capital expenditure exceeding the amounts within the approval powers of the board shall be submitted to the general meeting for approval after being considered and passed by the board.

**Article 19** Approval powers and procedures of decision-making on asset disposal:

1. disposals of construction in progress, fixed assets and intangible assets with expected disposal price (or prior estimate value) less than RMB30 million (whichever is higher, similarly hereinafter) in an individual disposal shall be subject to the consideration and approval of the general manager office of the Company; disposals with expected disposal price (or prior estimate value) exceeding RMB30 million shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company;
2. disposals of assets in accordance with the above approval powers with the aggregate disposal amount of fixed assets in four consecutive months of more than 33% of the value of the Company's fixed assets as shown in its latest audited balance sheet, or disposals of assets within one year of more than 30% of the latest audited total assets of the Company, or disposals of assets which shall be submitted to the general meeting of the Company for approval under the Listing Rules, shall be implemented after being discussed and passed by the general meeting.

#### CHAPTER 4 APPROVAL POWERS AND PROCEDURES OF DECISION MAKING ON FINANCING

**Article 20** Financing refers to the fund raising through the issue of shares, debentures (including convertible debentures) and other evidences of interests as well as fund raising activities from banks, non-bank financial institutions, other entities by the Company to meet its operational demands.

**Article 21** Financing activities of the Company through the issue of new shares, debentures and other evidences of equity interests and debts shall be submitted to the general meeting for consideration and approval after being considered by the board in accordance with the Articles of Association of the Company. Matters for the general meeting to consider mainly include the type of securities to be issued, size of issue, amount of proceeds, conditions of guarantees and use of proceeds, etc.

**Article 22** Subject to compliance with the relevant laws and the Listing Rules, the Company may borrow from financial institutions or other institutions. Borrowing of the Company is controlled based on the annual financing scale. The financial department will propose the annual financing scale based on the production and operation and the capital demands of the Company on a yearly basis, which will be submitted to the board for approval after being approved by the general manager office.

Subject to compliance with the relevant laws and regulations, the Listing Rules and the Articles of Association, the Company may provide guarantees for borrowing money by charging or pledging the assets of the Company, which shall be subject to the approval of the relevant authorities with power to approve the amounts of the borrowings.

#### CHAPTER 5 APPROVAL POWERS AND PROCEDURES OF DECISION MAKING ON ENTRUSTED LOANS

**Article 23** Entrusted loans refer to lending activities whereby the Company provides the fund of loans with its internal funds and entrusts financial institutions to issue to the specified borrowers on its behalf, supervise the use of the loans and assist with the recovery of the loans. In principal, the Company only provides entrusted loans to its subsidiaries. The finance department shall make proposals in relation to annual quota and term of entrusted loans every year, which shall be considered and determined pursuant to the following approval powers and procedures:

1. Any entrusted loans whose balances for twelve consecutive months are not more than RMB150 million shall be subject to the approval of the general manager office;

2. Any entrusted loans exceeding the abovementioned quota but whose balance for twelve consecutive months are less than 50% of the Company's latest audited net assets, shall be subject to the approval of the board;
3. Any entrusted loans whose balances for twelve consecutive months exceed 50% of the Company's latest audited net assets shall be subject to the approval at the general meeting.

## **CHAPTER 6 APPROVAL POWERS AND PROCEDURES OF DECISION MAKING ON WRITING-OFF OF ASSETS**

**Article 24** Writing-off of assets refers to activities whereby the Company is to make any accounting write-offs on its book balance and the corresponding impairment provision of assets against any expected potential losses of assets (including long- term equity investments, fixed assets and currents assets, regardless of any provisions for impairments) upon recognition of any actual losses by means of legal and valid evidence in accordance with any relevant national financial accounting policies and any relevant financial regulatory requirements from the State-owned Assets Supervision and Administration Commission.

**Article 25** Approval powers and procedures of decision making on writing-off of assets :

1. Any separate writing-off of an original value or amount of not more than RMB30 million (inclusive) with the accumulated amount of writing-off for twelve consecutive months of not more than RMB200 million shall be proposed by relevant asset management departments for write-off plan of loss of assets and submitted to the general manager office of the Company for approval after being considered and passed by relevant asset management departments of the Company;
2. Any separate writing-off of an amount of more than RMB30 million with the accumulated amount of writing-off for twelve consecutive months of more than RMB200 million shall be proposed by relevant asset management departments for write-off plan of loss of assets and submitted to the board for approval after being discussed and passed by the general manager office upon approval by relevant asset management departments of the Company.

## CHAPTER 7 APPROVAL POWERS AND PROCEDURES OF DECISION MAKING ON DONATIONS TO EXTERNAL PARTY

**Article 26** Approval powers and procedures of decision making on donations to external party:

1. Any separate donations or sponsorship to external party of an amount not more than RMB500,000 with the accumulated amount of not more than RMB1 million in a year shall be subject to the approval of the general manager office;
2. Any separate donations to external party of an amount of more than RMB500,000 but not more than RMB1 million with the accumulated amount of more than RMB1 million but not more than RMB2 million in a year shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company;
3. Any donations to external party exceeding the above amount shall be submitted to the general meeting for consideration and approval after being considered and passed by the board.

## CHAPTER 8 SUPPLEMENTARY PROVISIONS

**Article 27** Investments and operation including any external investments, capital expenditures and assets disposal, sales and purchase of financial assets, financing, entrusted loans, assets write-off and donations to external party described herein (hereinafter the “**Material Events**”) incurred in the subsidiaries of the Company which are within the approval powers set out herein would be regarded as the Material Events of the Company and these Principles are applicable.

Subsidiaries mean any company in which the Company has absolute controlling interest or actual control.

**Article 28** For Material Events stipulated in these Principles incurred in the subsidiaries, the directors appointed by the Company shall report to the Company before the board of directors of such subsidiaries makes any formal resolution and shall execute the Company’s decision.

**Article 29** Unless the context otherwise requires, the “director(s)”, “board” and “general meeting” referred herein shall refer to the director(s), the board of directors and the general meeting of the Company respectively.

- Article 30** Unless otherwise specified herein, the expressions adopted in these Principles shall have the same meanings as those defined in the Articles of Association and shall be interpreted in accordance with the definitions and explanations set out in the Articles of Association. Should these Principles be inconsistent with the Articles of Association, the Articles of Association shall prevail.
- Article 31** In these Principles, “below”, “less than”, or “exceeding” are exclusive of the principal amount whereas “more than” and “within” are inclusive of the principal amount.
- Article 32** In the event that any matters which are not covered in these Principles or contradict the laws, administrative regulations and regulatory regulations of the place(s) where the shares of the Company are listed (including but not limited to the Listing Rules, other applicable Hong Kong laws, rules and codes), or such laws, administrative regulations and regulatory regulations of the place(s) where the shares of the Company are listed provide contain stricter provisions, the provisions of such laws, administrative regulations and regulatory regulations of the place(s) where the shares of the Company are listed shall prevail.
- Article 33** These Principles shall be subject to the interpretation of the board.
- Article 34** These Principles and the amendments thereof shall be effective upon consideration and approval by the general meeting.