

# GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED

## THE RULES OF PROCEEDINGS FOR THE BOARD OF DIRECTORS (the Rules of Procedures for the Board of Directors was considered and passed at the second extraordinary shareholders' meeting in 2025)

### Chapter 1 General Rules

**Article 1** In order to further define the terms of reference, regulate the internal structure and operational procedures, ensure the efficiency and scientific decision-making and optimize the function of the board of directors (the “**Board**”) of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (hereinafter referred to as the “**Company**”) as a major decision making body, the Company formulated these proceeding rules in accordance with the Company Law of the People’s Republic of China(the “**Company Law**”), Securities Law of the People’s Republic of China(the “**Securities Law**”), the Code of Corporate Governance for Listed Companies, the Articles of Association of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (hereinafter referred to as the “**Articles of Association**”) and other relevant overseas and domestic laws and administrative regulations.

### Chapter 2 Directors

**Article 2** A person shall be qualified to serve as a director if:

- (1) he/she is a natural person and is not required to hold shares of the Company; and
- (2) he/she complies with the national laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company’s shares are listed.

**Article 3** A person will be disqualified from being a director, if one of the followings occurs:

- (1) he has no civil capacity or restricted civil capacity;
- (2) he was convicted and sentenced for an offence of corruption, bribery, unauthorized appropriation or embezzlement of properties or disturbance of the socialist market economic order and has served out the sentence for less than five years; or (s) he has been deprived of political rights for committing an offence and the term of deprivation has expired for less than five years; where such person has been granted probation, less than two years have elapsed since the expiration of the probationary period;
- (3) he was a director, factory manager, or general manager of a company or an enterprise which was insolvent and for which he was personally liable and a period of less than three years has elapsed since the completion of the liquidation of such company or enterprise;

- (4) he was a legal representative of a company, a company being ordered to close or an enterprise the business license of which was revoked due to illegal business operation and for which he was personally liable and the period of not less than three years has elapsed since such revocation or the date of being ordered to close;
- (5) he has been listed by the People's Court as a dishonest debtor for failing to repay significant amounts of debt that have become due and payable;
- (6) he has been denied access to the securities market facilities imposed by the China Securities Regulatory Commission (the "CSRC") and the restriction period has not yet expired;
- (7) he is publicly identified by the stock exchange as unsuitable to serve as a director and senior management of listed companies, and such period has not elapsed;
- (8) other contents as required by laws, administrative regulations, securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed.

Any election, appointment, or hiring of directors in violation of this Article shall be void. If a serving director falls under the circumstances described in this Article during their tenure, the Company shall dismiss them from office and terminate their duties.

**Article 4** Non – employee representative directors shall be elected or replaced at the shareholders' meeting, and employee representative directors shall be democratically elected or replaced by the employees of the Company, with a term of of 3 years. Upon expiration of the term, the directors may be re-elected and serve consecutive terms. Directors appointed by the Board to fill casual vacancies or increase the number of directors shall hold office until the Company's first annual general meeting after their appointment, and shall be eligible for re-election at that time.

Subject to relevant laws, administrative regulations, and relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, the shareholders' meeting may dismiss by ordinary resolution(s) any directors of whom the term of office has not expired (the claim for compensation under any contracts shall however be not affected).

The term of office of directors who were elected at the shareholders' meeting shall commence on the date of their assumption of office until the expiration of the term of office of the then session of Board.

Unless a director is appointed by the Board to fill a casual vacancy, the term of office of a director who is elected during the course of each term of the Board shall hold the office for the remaining term of the Board, i.e., from the date on which the nomination of his/her directorship is approved by the shareholders' meeting to the date of the shareholders' meeting at which the directors are reelected following the expiration of the term of the current Board.

The senior management personnel shall serve the office of director concurrently. However, the total number of directors serving the office of senior management personnel concurrently and labour union representative holding the office of director shall not exceed half of the total number of directors of the Company.

**Article 5** The candidates of directors shall make a written commitment before the notice of the shareholders' meeting, that he/she agrees to accept the nomination and that the publicly disclosed information of the candidates of directors is correct, accurate and complete, and guarantees that he/she will duly perform his/her duties if so elected.

The Company shall disclose the detailed information of the candidates of directors before the convening of the shareholders' meeting to facilitate the shareholders to have sufficient understanding of the candidates.

**Article 6** The directors shall enter into service contracts with the Company in which details relating to the rights and obligations between the Company and the directors, the term of office of directors, the liability of the directors for contravening the laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed as well as the Articles of Association together with compensation arising out of early termination of such service contracts by the Company shall be clearly specified.

**Article 7** The directors have the following rights:

- (1) to attend the Board meetings and exercise their voting rights;
- (2) to act on behalf of the Company according to the Articles of Association or as delegated by the Board;
- (3) to handle the business of the Company according to the Articles of Association or as delegated by the Board;
- (4) to have the right to an insurance policy, paid by the Company with the approval of the shareholders at shareholders meetings, against legal liabilities that directors may face, except for liabilities arising from violating laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Associations.

**Article 8** In addition to the obligations imposed by the laws and administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, the directors of the Company shall, in exercising the powers and duties conferred on them by the Company, have the following obligations of loyalty to the Company:

- (1) they shall not embezzle the Company's property or misappropriate the Company's funds;

- (2) they shall not deposit Company funds in accounts opened in their own name or in the name of other individuals;
- (3) they shall not use their authority to bribe or receive other illegal income;
- (4) they shall not directly or indirectly enter into contracts or conduct transactions with the Company without reporting to the Board of Directors or the general meeting and obtaining the approval by resolution of the Board of Directors or the general meeting in accordance with the provisions of the Articles of Association;
- (5) they shall not use their position to seek business opportunities belonging to the Company for themselves or others, except those which have been reported to the Board of Directors or the general meeting and approved by a resolution of the general meeting, or where the Company cannot use such business opportunities in accordance with the provisions of laws, administrative regulations, securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed or the Articles of Association;
- (6) they shall not engage in or operate businesses similar to those of the Company for themselves or others without reporting to the Board of Directors or the general meeting and obtaining approval by resolution of the general meeting;
- (7) they shall not accept commissions from others for transactions with the Company for their own benefit;
- (8) they shall not disclose Company secrets without authorization;
- (9) they shall not use their connected relationships to harm the interests of the Company;
- (10) other duties of loyalty stipulated by laws, administrative regulations, securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed and the Articles of Association.

Any income obtained by a director in violation of the provisions of this Article shall belong to the Company; if it causes losses to the Company, he or she shall bear the liability for compensation.

The provisions of Item (4) in second paragraph of this Article shall apply to contracts or transactions entered into by close relatives of directors and senior management, enterprises directly or indirectly controlled by directors, senior management or their close relatives, and other related parties with other connected relationships with directors and senior management.

**Article 9** The directors shall comply with the laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association, shall diligently perform their obligations to the Company, and shall fulfill their obligations with reasonable care generally due to managers in the best interests of the Company.

The directors shall diligently perform their following obligations to the Company:

- (1) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure that the Company's commercial activities are in compliance with the laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;
- (2) to treat all shareholders fairly;
- (3) to understand the operation and management of the Company in a timely manner;
- (4) to approve regular reports of the Company in written form and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- (5) to provide the relevant information and materials required by the audit committee and shall not intervene the performance of duties by the audit committee;
- (6) to perform other obligations of diligence stipulated by the laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association.

**Article 10** Save for the obligations set forth in Articles 8 and 9 above, the directors shall fulfill the following obligations:

- (1) To comply with the provisions of laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association, honestly discharge their duties, safeguard the interest of the Company, and when their own interest conflicts with the interest of the Company and the shareholders, they shall act in the best interests of the Company and the shareholders and make sure:
  1. to actively participate in relevant trainings in order to understand the rights, obligations and responsibilities of directors, familiarize themselves with relevant laws and administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and acquire the relevant knowledge required of them as directors;
  2. to have sufficient time and energy to discharge the duties as required;
  3. to attend the Board meetings in a conscientious and responsible manner and express definite views on the matters under consideration;

4. to abide by the provisions of relevant laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association, exercise powers within the scope of their duties, and not act ultra vires; strictly keep the commitments they made publicly; not use inside information for their own or others' benefit;
- (2) Without stipulation by the Articles of Association or legal authorization by the Board, no director shall in his or her own name act for the Company or the Board. Where a director acts in his or her own name but a third party reasonably believes that such director is acting for the Company or the Board, such director shall declare that he or she is not acting for the Company in advance.
- (3) If a director or other enterprise where such director holds a position is directly or indirectly connected with an existing or proposed contract, transaction or arrangement of the Company (except for an employment contract), the director shall declare the nature and extent of such relationship to the Board at the earliest opportunity, regardless of whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the related director has made the disclosure to the Board as required in the preceding paragraph and the contract, transaction or arrangement is approved by the Board at a meeting in which the related director is not counted in the quorum and has abstained from voting, the Company has the right to rescind such contract, transaction or arrangement, except where the counterparty is a bona fide third party.

A director of the Company is deemed to be interested in the contract, transaction or agreement in which an associate of him/her is interested.

While voting on the matters stipulated in this Article at the meetings of the Board, the related directors shall abstain from voting, but can provide the Board with necessary explanations on the above matters.

**Article 11** The validity of any act of a director of the Company acting on behalf of the Company against any bona fide third party shall not be affected by any irregularity in his/her appointment, election or any defects in his/her qualification.

**Article 12** Where a director is unable to attend in person the general meeting of directors twice or has not entrusted other directors to attend, he or she shall be deemed as not performing his or her duties, and the Board shall recommend the general meeting to dismiss and replace such director.

**Article 13** Directors may resign before his or her term of office expires. Directors resigning shall submit notice of resignation in writing to the Company, and the resignation shall take effect on the date the Company receives the resignation report. The Company shall timely disclose relevant information in accordance with relevant provisions of securities regulatory authorities or stock exchanges in the places where the Company's shares are listed.

**Article 14** Where the resignation of a director causes the number of directors constituting the Board to fall below the quorum, the resignation of audit committee members results in the number of audit committee members falling below the statutory minimum, or there is a lack of accounting professionals to serve as convener, or the resignation of an independent director causes the percentage of independent directors in the Board or the special committees to fail to meet the requirements of laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed or the Articles of Association, or causes the lack of accounting professionals who are independent directors, the original director shall, prior to the new director entering on the office, continue to perform his or her duties as a director in accordance with the provisions of laws and administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, and the Articles of Association.

**Article 15** The Company shall establish a system for managing the resignation of directors, clarifying safeguard measures for accountability and recovery regarding unfulfilled public commitments and other unfinished matters. Upon the resignation of a director takes effect or the expiry of the term of office, he/she shall complete all transfer procedures to the Board, the duties owed by the director to the Company and shareholders will not be released for certain before or within the reasonable period after the resignation takes effect and with a reasonable period of time upon the expiry of the term of office. The obligation of confidentiality of such director in relation to the commercial secrets of the Company remains effective after the term of such director ends until such commercial secrets become public information. The continuity of other obligations shall be determined on the principle of fairness, and dependent on the length of time between the occurrence of the incident and the resignation, as well as the circumstances and conditions under which the director terminates his/her relationship with the Company. A director whose term of office has not expired shall be accountable to indemnify the Company against any losses incurred from his/her leave of office without permission. The obligations that directors should bear during their term of office for performing their duties shall not be exempted or terminated due to their departure.

**Article 16** Directors shall bear the following responsibilities:

- (1) The directors who are at fault for any loss of the Company's assets shall bear the responsibilities for such loss;
- (2) The directors shall bear the responsibilities for any loss suffered by the Company due to their major investment decision-making errors;
- (3) Where directors cause damage to others in performing the Company's duties, the Company shall bear compensation liability;
- (4) Where directors have intent or gross negligence, they shall also bear the liability for compensation;



- (5) Directors who violate laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, or the company's articles of association when performing the Company's duties, causing losses to the Company shall bear liability for compensation;
- (6) The directors shall be held accountable for the resolutions of the Board. The directors who voted on the resolutions shall assume liability of indemnification for any material loss caused to the Company arising from the breach of any laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, or the Articles of Associations by such resolutions of the Board. However, a director's liability may be waived if it is proven that such director has dissent during the voting and such dissent is recorded in the minutes of the meeting.

**Article 17** The general meeting may resolve to remove directors (excluding employee representative directors), and the removal shall take effect on the date the resolution is made. Company employees may remove employee representative directors through employee representative assemblies, employee meetings or other democratic forms, and the removal shall take effect on the date the resolution is made. Where directors are removed without reasonable causes before the expiry of their term, directors may request compensation from the Company.

**Article 18** Without stipulation by the Articles of Association or legal authorization by the Board, no director shall in his or her own name act for the Company or the Board of Directors. Where a director acts in his or her own name but a third party reasonably believes that such director is acting for the Company or the Board, such director shall declare in advance his or her position and status.

**Article 19** The Board or its nomination and remuneration committee is responsible for formulating the assessment standards for directors and carrying out assessments of the directors. Directors who were under review by the Board or the nomination and remuneration committee shall not attend the meeting held to evaluate and discuss their performance.

### **Chapter 3 Independent Directors**

**Article 20** An independent director is a director who does not act in other capacities in the Company other than a director, and who does not have any direct or indirect interest in the Company or its substantial shareholders or de facto controller(s), and who does not have any other relationship that may affect the director in making an independent and objective judgement.

Independent directors shall perform their duties independently and shall not be influenced by the Company, its substantial shareholders, de facto controllers or other units or individuals.



**Article 21** Independent directors owe duties of loyalty and diligence towards the Company and all shareholders and shall earnestly perform their duties in accordance with the laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the provisions of the Articles of Association, and shall discharge their duties including participating in decision-makings, supervising and balancing, providing professional counseling on the Board, and safeguard the overall interest of the Company, and protect the legitimate rights and interests of minority shareholders.

**Article 22** The Company shall appoint independent directors. The ratio of independent directors to the total number of directors in the Board shall be no less than one-third. Under no circumstances shall there be less than three independent non-executive directors, and the independent directors shall satisfy the requirements of an independent non-executive director under the respective listing rules of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. At least one of the independent directors shall have professional qualifications in accounting as required by the relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed.

**Article 23** Independent directors shall attend the meetings of the Board as scheduled, understand the production and operation of the Company, conduct active investigations to obtain the background and information required for decision-making. Independent directors shall submit a duty report to the annual shareholders' meeting of the Company, stating performance of duties of all independent directors.

**Article 24** An independent director shall satisfy the following basic requirements:

- (1) being qualified to serve as a director of a listed company in accordance with laws, administrative regulations, and other relevant requirements;
- (2) possesses the independence as required by the Rules for the Independent Directors of Listed Companies (《上市公司獨立董事規則》) issued by the CSRC, and the meet the requirements on "independent non-executive director" of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (3) has a basic understanding of the operation of a listed company, and being familiar with relevant laws, regulations and rules;
- (4) possesses five or more years of experience in law, accounting, economics, or other experience necessary for the performance of duties as an independent director;
- (5) excels in virtue and has no bad records such as major breach of trust;
- (6) other conditions stipulated by laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, and the Articles of Association.

**Article 25** Independent directors of the Company must remain independent. The following persons shall not serve as independent directors:

- (1) persons who hold positions in the Company or its subsidiaries and their spouses, parents, children and main social relations;
- (2) natural person shareholders who hold, directly or indirectly, 1% or above of the Company issued shares or are among the top 10 shareholders and his/her spouses, parents and children;
- (3) persons who hold positions in the Company's shareholders which directly or indirectly holds 5% or above of the Company's issued shares or which are among the a top 5 shareholders of the Company and their spouses, parents and children;
- (4) persons who hold positions in the controlling shareholders and de facto controllers of the Company and their subsidiaries, and their spouses, parents and children;
- (5) persons who provide, among other things, financial service, legal service, consultancy service, sponsorship service to the Company, its controlling shareholders, de facto controllers or their respective subsidiaries, including but not limited to all the members of the team of the intermediaries for the project which provided services, review personnel at all levels, the signatories on the reports, partners, directors, members of the senior management and the principal responsible officers;
- (6) persons who have material transactions with the Company and its controlling shareholders, de facto controllers or their respective subsidiaries, or those persons who hold positions in the entities which have material transactions with the Company and their controlling shareholders and de facto controllers;
- (7) persons who have been under any of the above six six circumstances within the preceding 12 months;
- (8) other persons who lack independence as may be stipulated by laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed (including but not limited to the independence provisions in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and the Articles of Association;

The subsidiaries of the controlling shareholders and de facto controllers of the Company referred to in items (4), (5) and (6) above do not include those subsidiaries which are controlled by the same state-owned asset management institution as the Company and are not connected persons of the Company pursuant to the rules stipulated by the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed.

“Main social relations” referred to in the preceding paragraph means brothers, sisters, spouses of brothers and sisters, parents of spouses, brothers and sisters of spouses, spouses of children, parents of spouses of children, etc. “Material transaction” refers to those which are required to be submitted for the consideration of the general meeting of shareholders pursuant to the requirements of the securities regulatory authorities or stock exchanges in the places where the Company’s shares are listed or the Articles of Association or other material matters stipulated by the stock exchanges where the shares of the Company are listed. “Hold positions” means acting as directors, supervisors, members of the senior management and other staff members.

The independent directors shall conduct an annual self-examination of independence and submit the self examination to the Board. The Board shall evaluate and issue a special opinion on the independence of the incumbent independent directors on an annual basis, which shall be disclosed at the same time as the annual report.

**Article 26** The independent directors, in principle, shall serve as independent directors in a maximum of 3 domestic listed companies, and shall ensure that they have sufficient time and energy to effectively fulfill their duties as independent directors.

**Article 27** Independent directors shall perform the following duties:

- (1) to participate in the decision makings of the Board and express clear opinions on the matters discussed;
- (2) to supervise matters involving potential material conflicts of interest between the Company and its controlling shareholders, de facto controller(s), directors and senior officers set out in Article 23, Article 26, Article 27 and Article 28 of the Measures for the Administration of Independent Directors of Listed Companies, to urge the Board to make decisions in line with the interests of the Company as a whole, and to protect the legitimate rights and interests of medium and small shareholders;
- (3) to provide professional and objective advice on the operation and development of the Company, and to promote the improvement of the decision-making level of the Board;
- (4) to perform other duties as stipulated by laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company’s shares are listed and the Articles of Association.

Independent directors shall perform their duties independently and fairly and shall not be influenced by the Company, its substantial shareholders, de facto controller(s) or other units or individuals. If it is found that the matter under consideration affects his/her independence, he/she shall duly declare it to the Company and withdraw from the discussion. If, during his/her term of office, there are matters that can significantly affect his/her independence, he/she shall promptly notify the Company, propose solutions, and if necessary, resign.

**Article 28** The following matters shall be submitted to the Board for consideration after obtaining the consent of more than half of all the independent directors of the Company:

- (1) related party transactions that are required to be disclosed;
- (2) plan for change or waiver of undertakings by the Company and related parties;
- (3) the decisions made and measures taken by the Board in relation to the acquisition when the Company is acquired;
- (4) other matters as required by laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association.

**Article 29** Independent directors shall have the following special powers:

- (1) to independently engage intermediaries to audit, consult or verify specific matters of the Company;
- (2) to propose to the Board to convene extraordinary general meetings;
- (3) to propose to convene Board meetings;
- (4) to openly solicit shareholders' rights according to laws;
- (5) to express independent opinions on matters that may prejudice the rights and interests of the Company or minority shareholders;
- (6) to perform other powers as required by laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association.

Where the independent directors exercise the powers specified in (1) to (3) above, the consent from more than half of all the independent directors is required. Where the independent directors exercise the powers specified in Paragraph 1 of this article, the Company shall make timely disclosure. If the aforementioned powers cannot be exercised normally, the Company shall disclose the specific circumstances and reasons.

**Article 30** Independent directors have a duty of loyalty and due diligence to the Company and all shareholders. Independent directors shall conscientiously perform his/her duties, and safeguard the overall interests of the Company in accordance with the requirements of relevant laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, the Articles of Association and these Rules and, particular attention should be paid to ensuring that the legal rights of the minority shareholders are not harmed.

**Article 31** Procedures for the election of independent directors:

- (1) Independent directors shall be nominated by the Company's Board and shareholders who individually or jointly more than one percent of the issued shares of the Company, and shall be elected at shareholders' meetings. The nominator shall not nominate a person who is interested in the nominator, or a person who is closely related to the nominator and has other circumstances that may affect the independent performance of his/her duties as a candidate for independent director;
- (2) The nominator of an independent director shall have obtained the consent of the nominee before nomination. The nominator shall fully understand the nominee's profession, educational background, professional title, detailed working experience, details on any part-time posts, and whether there is any major breach of good faith and other adverse records, and shall comment on meeting the independence and other conditions for being an independent director. The nominee(s) shall make a public statement on their fulfilment of the independence and other conditions for being an independent director. The nomination and remuneration committee of the Company shall examine the qualifications of the nominee for the position and form a clear opinion on the examination.

Before the shareholders' meeting at which election of independent directors is to be considered, the Board of the Company shall complete the relevant procedures for the nomination of independent directors in accordance with the regulations and comply with the corresponding information disclosure obligations;

- (3) The term of office of the independent directors shall be the same as that of other directors of the Company, and upon expiration of the term, the independent directors may be re-elected and serve consecutive terms. However, they shall not serve a position for more than six years consecutively;
- (4) Proposition of the shareholders' meetings to nominate independent directors should be included in the agenda of the shareholders' meetings and notify all shareholders before the shareholders' meetings, together with the details of the nominated independent shareholders including their occupations, education backgrounds, business titles and detailed work experiences, pursuant to the requirements of the stock exchanges where the Company's shares are listed. Any person who has already served as an independent director in three domestic listed companies, shall not be nominated as a candidate for independent director of the Company in principle; any person who has served as an independent director of the Company for six consecutive years shall not be nominated as a candidate for independent director of the Company until and unless a period of thirty-six months has lapsed since the conclusion of such fact;

- (5) If, the stock exchanges where the shares of the Company are listed, object to the qualifications and independence of the nominee after review, the Company shall disclose the fact in a timely manner, and the Company shall not propose him/her as independent director to the shareholders' meeting and should postpone or cancel the shareholders' meeting or revoke the relevant resolution at the shareholders' meeting. When electing independent directors at a shareholders' meeting, the Board of the Company should give an explanation on whether the stock exchanges where the shares of the Company are listed have expressed objection to the candidate for independent director;
- (6) Where two or more independent directors are to be elected at the shareholders' meeting of the Company, a cumulative voting system shall be implemented. The votes of minority shareholders shall be counted separately and disclosed.

**Article 32** Independent directors shall pay continuous attention to the implementation of resolutions of the Board in relation to the matters set forth in Articles 23, 26, 27 and 28 of the Measures for the Administration of Independent Directors of Listed Companies, and if they are aware of any violation of laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association, or any violation of the resolutions adopted at the shareholders' general meetings or the Board meetings, they shall report such violations to the Board in a timely manner and may require the Company to provide a written explanation thereon. The Company shall promptly disclose any disclosable matters involved. If the Company fails to make an explanation or a timely disclosure, the independent directors may report it to the CSRC and the stock exchanges where the Company's shares are listed.

**Article 33** The independent directors shall perform their duties in the special committees of the Board of the Company in accordance with the laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association. The independent directors shall attend the meetings of the special committees in person, and if they are unable to attend the meetings in person for any reason, they shall review the materials of the meetings in advance, form a clear opinion, and entrust other independent directors in writing to attend the meetings on their behalf. If an independent director is concerned about any major issue of the Company which is within the scope of the duties of the special committees in the performance of his or her duties, he/she may bring the issue to the special committees for discussion and consideration in a timely manner in accordance with the procedures.

**Article 34** The Company shall establish a special meeting mechanism attended by all independent directors. Where the Board considers the related transactions and other matters, prior approval from special meeting of independent directors shall be obtained. The Company shall hold special meetings of independent directors on a regular or irregular basis. Matters listed in Article 28 and items (1) to (3) of Article 29 of these Rules shall be considered at a special meeting of independent directors. The special meeting of independent directors may study and discuss other matters of the Company as needed.

A special meeting of independent directors shall be convened and presided over by an independent director elected by a majority of the independent directors. In the event that the convener fails to or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting on their own.

The minutes of the special meetings of independent directors shall be prepared according to relevant requirements and shall record the opinions of independent directors. Independent directors shall sign and confirm the meeting minutes.

The Company shall facilitate and support the convening of special meetings of independent directors.

### **Article 35** Guarantee of performance of independent directors

- (i) The Company shall provide the independent directors with all necessary working conditions and personnel support for performance of their duties, and designate special departments and special personnel to assist the independent directors in the performance of their duties.

The secretary to the Board shall ensure that there is a smooth flow of information between the independent directors and other directors, senior management and other relevant officers, and that the independent directors have access to adequate resources and necessary professional advice when performing their duties.

- (ii) The Company shall ensure that the independent directors shall have access to the same information as other directors. To ensure the independent director can effectively exercise their powers and functions, the Company shall keep the independent directors informed of the Company's operations on a regular basis, provide them with information, and set up or co-operate with them in carrying out field inspections and other work.

The Company may organize independent directors to participate in research and discussion sessions before the Board deliberates on major and complicated issues, to fully listen to the opinions of independent directors, and provide timely feedback to independent directors on the adoption of their opinions.

- (iii) The Company shall issue notices of meetings of the Board to independent directors in a timely manner, provide relevant meeting materials no later than the deadline for notification of Board meetings stipulated in laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed or the Articles, and provide independent directors with effective communication channels. If a special committee of the Board convenes a meeting, the Company shall, in principle, provide relevant materials and information no later than three days before the special committee meeting. The Company shall keep the above mentioned meeting materials for at least ten years.



When two or more independent directors consider that the meeting related materials are incomplete, insufficiently argued or not provided in a timely manner, they may request, in writing, the Board to postpone the convention of meeting or delaying the discussion of the matter. The Board shall accept such request.

In principle, the meetings of the Board and the special committees shall be convened by way of onsite meetings. When necessary, such meetings may also be convened through video, telephone or other methods according to the relevant procedures and on such a premise that all attending directors can fully communicate with each other and express their opinions.

- (iv) When Independent Directors are performing their duties, the directors, senior management and other relevant personnel of the Company shall actively provide assistance and shall not refuse, obstruct or conceal relevant information, or interfere with the independent exercise of his or her duties and powers.

Where an independent director encounters obstruction(s) in the exercise of his/her powers in accordance with the law, he/she may explain the situation to the Board, request the directors, senior management and other relevant officers to be co-operative, and record the specific circumstances and resolutions of the obstruction(s) in the work records; where he or she still fails to remove the obstruction, he/she may report to the CSRC and stock exchange where the Company's securities are listed.

Where the performance of duties by an independent director involves information required to be disclosed, the Company shall handle the disclosure in a timely manner; where the Company refuses to disclose, the independent director may directly apply for disclosure or report to the CSRC and stock exchange where the Company's securities are listed.

- (v) The Company shall the expenses incurred by the independent directors in engaging professional organizations and in exercising other duties.

### **Article 36** Allowances of the independent directors

- (1) The Company may establish a liability insurance regime for independent directors to reduce the risks that may arise in the due performance of duties by the independent directors;
- (2) The Company shall provide the independent directors with allowances commensurate with the duties they undertake. The standard of the allowances should be decided by the Board, considered and approved at the shareholders' meetings and disclosed in the Company's annual reports;
- (3) Other than the allowances referred to above, the independent directors are not allowed to receive other benefits from the Company and its substantial shareholders, the de facto controllers, or any interested entities or persons.

## Chapter 4 Composition and Duties of the Board

**Article 37** The Company set up the Board. The Board consists of ten non-employee representative directors and one employee representative director, including four independent directors. The Board has one chairman and one or two vice chairmen. The Board is the decision-making body of the Company, and is entrusted by the shareholders' meeting to operate and manage the legal assets of the Company and is accountable to the shareholders' meeting.

**Article 38** The Board is accountable for the shareholders' meeting of the shareholders and shall exercise the following powers:

- (1) convention of the shareholders' meeting, and report to the shareholders' meeting;
- (2) implementation of the resolutions of the shareholders' meeting;
- (3) formulation of the business plan and investment scheme of the Company;
- (4) formulation of the profit distribution policy and loss recovery policy of the Company;
- (5) formulation of the policy of increase or reduction of registered capital and the policy of issue of corporate bonds of the Company or other securities of the Company and proposals for listing;
- (6) drafting of the policies of material corporate acquisition, acquisition of the Company's shares, or the merger, separation, dissolution, liquidation and change of corporate form of the Company;
- (7) making decision on the establishment of internal management system in the Company;
- (8) making decisions on the employment or dismissal of the Company's senior management and decision on their remuneration and reward and punishment;
- (9) formulation of the basic management system of the Company;
- (10) formulation of the proposal on amendment of the Articles of Association;
- (11) making decisions on matters such as external investment, acquisition and sale of assets, mortgaged assets, external guarantee, financial management by commission, connected transaction, external donations, within the scope of authorization by the shareholders' meeting;
- (12) management of disclosure of information of the Company;
- (13) proposal to the general meeting of shareholders on employment or replacement of accounting firm responsible for auditing for the Company;

- (14) receiving the work report of the general manager of the Company and checking the work of the general manager;
- (15) pass resolutions regarding the repurchase of the shares of the Company by the Company under the circumstances prescribed in (3), (5) and (6) of Article 31 of the Articles of Association;
- (16) other functions and duties as conferred by laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, the Articles of Association, or the shareholders' meeting.

**Article 39** The Board shall explain to the general meeting of shareholders regarding the advice issued by the chartered accountant in relation to the financial report of the Company.

**Article 40** The exercise of functions and powers by the Board shall be integrated with the performance of the Party Committee as the core leader and political role. The Board should first take into account the opinions of the Party Committee of the Company before resolving major issues such as those involving the reform development of the Company, main goals and tasks and key work arrangements. When the Board has to appoint senior management of the Company, the Party Committee shall prepare and make proposals and suggestions on the candidates nominated by the Board or the general manager.

**Article 41** Subject to laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, the decision-making authority of the Board on the Company's external investment, acquisition and sale of assets, assets pledges, external guarantee, entrusted wealth management, related transactions, external donations and other transactions are as follows:

1. Transactions accounting for less than 3% of the latest audited net asset of the Company, including external investments (acquisitions, mergers, short-term investment projects, investments on subsidiaries, etc.), acquisition or sales of assets, financial management by commission, entering into leasing arrangements for assets, whether as lessee or lessor, asset and business management as consignor or consignee, donating or taking of assets, credit and debt reorganization, conclusion of franchise agreements, and transfer of research and development projects as transferor or transferee, waiver of rights (including waiver of right of first refusal, right of first contribution, etc.), conclusion of important contracts (lending, contracting, etc.), etc., shall be approved by the strategic development and investment committee and reported to the Board for the record (except for matters otherwise agreed in these Rules of Procedure);

2. Transactions accounting for 3%-10% of the latest audited net asset of the Company, including external investments (acquisitions, mergers, short-term investment projects, investments on subsidiaries, etc.), acquisition or sales of assets, financial management by commission, entering into leasing arrangements for assets, whether as lessee or lessor, asset and business management as consignor or consignee, donating or taking of assets, credit and debt reorganization, conclusion of franchise agreements, and transfer of research and development projects as transferor or transferee, waiver of rights (including waiver of right of first refusal, right of first contribution, etc.), conclusion of important contracts (lending, contracting, etc.), etc., shall be approved by the Board;
3. The decision-making authority for related-party transactions shall be implemented in accordance with the Provisions on Strengthening the Monitoring and Management of Disclosable Transactions and Related party (Connected) Transactions by Listed Companies (《關於加強上市公司對須予披露交易及關聯(連)交易的監控與管理的規定》) of the Company;
4. The above – mentioned transactions shall be executed in accordance with the provisions of the listing rules of the stock exchange where the Company's shares are listed.

**Article 42** The Board have the authority to make venture capital investment in an individual project with an investment amount up to 3% to 10% of the Company's latest audited net assets, and such investment shall follow stringent examination and decision-making procedures. The Board shall organize related experts and professionals to make assessment on significant investment project exceeding the aforesaid limits and report the result thereof to the general meeting of shareholders for approval.

Such venture capital investments are those that involve areas the Company has never ventured into in the past, and are outside the Company's scope of normal business, or those that the Board considers as highly risky and without certainty, including but not limited to investment in shares, futures or foreign exchange transactions, etc.

**Article 43** The Board has the authority to write off assets ranges from 3% to 10% of the Company's latest audited net profit. In the event that the Company writes off assets exceeding 10% of the net profit, the Board shall report to the shareholders' meeting for approval.

**Article 44** Subject to compliance with laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, guarantees that do not meet the requirements of Article 52 of the Articles of Association which are subject to consideration and approval by the general meeting shall be considered and approved by the Board of Directors of the Company. The guarantees to be provided by the Company shall be subject to the consideration and approval by a majority of all the directors as well as two-thirds or more of the directors present at the Board meeting and disclosed promptly. The Board of Directors of the Company shall not approve the guarantees provided by the Company in violation of the following provisions:

- (1) The Company is prohibited from providing a guarantee for a loan to a controlling shareholder, a subsidiary of a shareholder, a fellow subsidiary of a shareholder and other related parties in which the Company holds less than 50% equity interests, or any non-legal persons or individuals;
- (2) When the Company provides a guarantee to its subsidiary, it may require the subsidiary to provide legal and effective counter-guarantee to the Company.

Before deciding to provide external guarantees for others (or submitting the matter to a general meeting for voting), the Board of Directors shall ascertain the creditworthiness of the debtor, conduct a thorough analysis of the benefits and risks of the guarantee, and make detailed disclosures in relevant announcement.

When a Board resolution involves the provision of a guarantee, directors who have an interest in the guarantee shall abstain from voting.

**Article 45** Subject to compliance with laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, financial assistance that do not meet the requirements of Article 54 of the Articles of Association which are subject to consideration and approval by the general meeting shall be considered and approved by the Board of Directors of the Company. The financial assistance to be provided by the Company shall be subject to the consideration and approval by a majority of all the directors as well as two-thirds or more of the directors present at the Board meeting and disclosed promptly.

**Article 46** The Board shall comply with the relevant national laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, the Articles of Association and resolutions of the shareholders' meeting in performing their duties. Matters which require the approval from relevant national authorities shall be implemented subject to such approval.

**Article 47** Pursuant to the Code of Corporate Governance for Listed Companies and the Detailed Rules of the Shanghai Stock Exchange for Self-Regulatory Guidelines of Listed Companies No. 1 – Standardized Operation, the Board shall establish certain special committees such as the strategic development and investment committee, audit committee, nomination and remuneration committee and budget committee as needed. Each special committee shall perform its duties in accordance with the laws, administrative regulations, relevant provisions of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, the Articles of Association and the authorization of the Board of Directors, and the proposals of the special committees shall be submitted to the Board of Directors for consideration and approval. The working regulations of the special committees shall be formulated by the Board of Directors, and the procedures for the discussion and voting of the special committees shall be implemented in accordance with the relevant provisions of the implementing rules of each special committee of the Company.

All members of the special committees are directors, and the majority of the members of the audit committee, nomination and remuneration committee and budget committee shall be independent non-executive Directors and convenors of those committee shall be independent non-executive Directors. The members of the audit committee shall be directors who do not hold senior management positions in the Company, and a majority of members shall be independent directors and the role of convener shall be taken by an independent director with accounting professional qualifications.

The main duties of each special committee are set out below. Please refer to the Rules of Implementation of each committee for details.

(1) Duties of the strategic development and investment committee mainly include:

1. to study the long – term development strategy and major investment of the Company and give advice thereon;
2. to review or approve the proposed investment projects of the Company subject to the authorization of the Board;
3. to review, approve and manage the other investment projects authorized by the Board.

(2) Duties of the audit committee mainly include exercising the powers of the supervisory committee as stipulated in the Company Law and the powers of the audit committee as stipulated by the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, and being responsible for reviewing the financial information of the Company and the disclosure thereof and supervising and assessing the internal and external audits and internal control. The following matters shall be submitted to the Board for deliberation after obtaining the approval of a majority of all members of the audit committee:

1. disclosure of financial information in financial and accounting reports and periodic reports, and evaluation reports on internal control;
2. appointment or dismissal of accounting firms engaged in audit business for companies;
3. appointment or dismissal of the financial controller of the Company;
4. changes in accounting policies and accounting estimates made for reasons other than changes in accounting standards, or corrections of material accounting errors;
5. other matters as stipulated in laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed and the Articles of Association.

(3) Duties of the nomination and remuneration committee mainly include formulating the criteria and procedures for selecting directors and senior management personnel, selecting and examining candidates for directors and senior management personnel and their qualifications, formulating director skills matrix and the criteria for assessing directors and senior management personnel and conducting such assessments regularly, formulating and examining the policies and plans for remunerations of directors and senior management personnel, and making recommendations to the Board on the following matters:

1. the nomination, appointment and removal of directors;
2. the engagement or dismissal of senior management;
3. the remunerations of directors and senior management;
4. formulation or modification of the share option incentive schemes and the employee share ownership plans, the grant of interests to the participants and the fulfilment of the conditions for the exercise of interests;
5. arrangement of the shareholding plans for directors and senior management in the proposed spin-off subsidiaries;
6. other matters required by applicable laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed and the Articles of Association.

(4) Duties of the budget committee mainly include:

To direct the formulation of the annual operation plans and targets, annual budget plans of the Company, and supervise and examine the implementation.

**Article 48** Specific committees may engage intermediary agencies for the provision of professional advice and the relevant costs and expenses shall be borne by the Company.

## **Chapter 5 Chairman and Vice Chairman of the Board**

**Article 49** The chairman and vice chairman of the Board shall be a director of the Board of the Company other than an independent director. Chairman and vice chairman of the Board shall abide by the provisions of Chapter II of this Rules on the directors of the Company.

**Article 50** The Board shall, at its sole and exclusive discretion, appoint and dismiss the chairman and vice chairman, and no other organs or individuals may interfere in the appointment and dismissal of the chairman and vice chairman by the Board.



The chairman and vice chairman of the Board shall be elected and dismissed by a vote of a simple majority of all directors. The tenure of office of the chairman of the Board shall be three years, and may be reappointed.

**Article 51** The specific procedures for the election of chairman and vice chairman are: A candidate for chairman shall first be nominated by one or more director(s) and submitted to the Board meeting for discussion. The chairman shall be elected by a majority of the directors.

The specific procedures for dismissal of the chairman of the Board are: The proposal for dismissal of the chairman of the Board shall be submitted by one or more director(s) to the Board meeting for discussion. The chairman of the Board shall be dismissed by a majority of the directors.

Save for the above-mentioned procedures, no directors shall submit the proposal on the recommendation of a candidate for or dismissal of the chairman of the Board to other organs or departments without the approval of the Board.

**Article 52** Qualifications of the chairman of the Board:

- (i) having extensive knowledge of socialist market economy, the capacity to make correct analysis and judgment on the domestic and international macroeconomy and market trends and the ability to control the overall situation, as well as being good at decision-making and willing to undertake responsibilities;
- (ii) being democratic, broad-minded, having the impartiality to appoint officers by merits only and powerful cohesion;
- (iii) having a good ability for coordination and being skilled in building a harmonious relationship between the Board, management team, Party Committee and labor union;
- (iv) having 10 years or above of experience in corporate management or economy, being familiar with the production and operation of the industry and other sectors, being conversant with the national policies, laws and regulations;
- (v) having the integrity and to be diligent, to be uncorrupted and upright and impartial;
- (vi) having a strong sense of dedication, responsibility and an innovative and aggressive spirit, and being able to open up a new prospect.

**Article 53** The roles of the chairman of the Board and of the general manager of the Company shall not be assumed by the same individual.

**Article 54** Chairman of the Board shall exercise the following powers:

- (1) to preside over the shareholders' meeting, to convene, preside over the meetings of the Board, and to lead the daily work of the Board;
- (2) to supervise and examine the implementation of the Board resolutions;
- (3) to ensure the establishment of sound governance mechanisms;
- (4) to ensure that issues raised by directors or senior management are included in the Board's agenda in a timely manner;
- (5) to ensure that directors obtain sufficient and complete background materials on the Company's operations and various issues of the Board in a timely manner;
- (6) to ensure that shareholders' opinions are conveyed at Board meetings;
- (7) to exercise certain powers of the Board in accordance with authorization of the Board during recess of the Board, for example, to decide on the disclosure of interim reports, etc.;
- (8) to sign the significant documents of the Board, including but not limited to the following documents:
  1. documents approving the use of funds of the Board of the Company;
  2. documents on the appointment and dismissal of the general manager, deputy general manager, chief engineer, person in charge of finance and other members of the senior management of the Company in accordance with the decisions of the Board;
  3. documents on the appointment and dismissal of legal representatives of wholly-owned subsidiaries of the Company in accordance with the decisions of the Board.
- (9) to approve and issue a single financial expenditure of less than RMB3 million beyond the Company's financial budget plan;
- (10) to approve a single mortgage financing and loan document involving the purchase of fixed assets with an amount less than 3% of the audited net assets of the previous period, and to approve the purchase of fixed assets with an amount less than RMB10 million;
- (11) to exercise special disposition of the affairs of the Company in accordance with the laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed and the interest of the Company in the event of a force majeure emergency such as a catastrophic natural disaster, and to report to the Board and the shareholders' meeting afterwards;

- (12) to propose candidates for general manager and secretary of the Board of the Company;
- (13) to hold meetings with independent non-executive directors at least annually without the presence of other directors;
- (14) other duties assigned by the Board and prescribed by the Articles of Association.

**Article 55** The vice chairman of the Company shall assist the chairman. Where a chairman is unable to or does not perform his or her duties, a vice chairman shall perform his or her duties (in case of 2 vice chairmen of the Company, the vice chairman jointly elected by a majority of the directors shall perform the duties). Where a vice chairman is unable to or does not perform his or her duties, a majority of the directors may jointly elect one director to perform the duties.

## **Chapter 6 Secretary to the Board of the Company**

**Article 56** The Company shall have a secretary to the Board. The secretary to the Board shall be a member of the senior management of the Company, and is accountable to the Board.

**Article 57** The following qualifications are required of the secretary to the Board:

- (i) The secretary shall have a degree from a tertiary school or above, more than three years' experience in secretary, management and stock-related matters;
- (ii) The secretary shall have reliable knowledge in accounting, tax, law, finance, corporate management, and computer application, good character and professional ethics, strictly abide by laws, administrative regulations and rules, perform duties faithfully and have good communication skills and the ability to affairs flexibly;
- (iii) A director and a member of the senior management of the Company may hold the office of the secretary to the Board concurrently, where the secretary to the Board is also a director and an act is required to be done by a director and the secretary to the Board separately, such person who is acting both as director and the secretary to the Board shall not perform the act in both capacities;
- (iv) The circumstances stipulated in Article 3 of these rules of procedures with respect to disqualified directors of the Company shall be applicable to the secretary to the Board;
- (v) The accountants of the accounting firm and the lawyers of the law firm appointed by the Company shall not act as the secretary to the Board concurrently.

A person may not serve as a secretary of the Board if any of the following circumstances applies:

- (1) a person who is prohibited from acting as senior management specified by Rule 4.3.3 under the Listing Rules of the Shanghai Stock Exchange;

- (2) a person who has been subject to the administrative punishment of the CSRC during the past three years;
- (3) a person who has been publicly reprimanded by a stock exchange or who has been criticised for more than three times;
- (4) other circumstances under which a person is considered by a stock exchange in the place where the Company's shares are listed unfit to act as the secretary of the Board.

**Article 58** The secretary to the Board shall be nominated by the chairman of the Board, and the appointment or dismissal thereof shall be decided by the Board.

The Company should enter into a confidentiality agreement with the Secretary to the Board at the time of appointment, requiring him or her to undertake to continue to fulfill the confidentiality obligation once he or she leaves the office until the information is publicly disclosed.

**Article 59** The main duties of the secretary to the Board are:

- (1) to be responsible for disclosing information of the Company, coordinating the information disclosure related affairs of the Company, organizing the formulation of the information disclosure management system of the Company, and urging the Company and the relevant persons who have the obligation to disclose information to comply with the provisions on information disclosure;
- (2) to be responsible for managing the investor relations, coordinating information communication between the Company and securities regulators, investors and actual controllers, intermediaries, media, etc.;
- (3) to prepare and organize meetings of the Board and shareholders' meetings, to attend shareholders' meetings, meetings of the Board, meetings of the special committee and relevant meetings of senior management, to prepare minutes of meetings of the Board and have the same signed;
- (4) to be responsible for the confidentiality of the undisclosed information and immediately report to the stock exchanges on which the Company's shares are listed once the confidentiality of undisclosed material information has been comprised;
- (5) to pay attention to media reports and proactively verify the authenticity thereof, and urge the Company and other relevant entities to respond promptly to enquiries from the stock exchanges on which the shares of the Company are listed;

- (6) to organize training for directors and senior management of the Company in accordance with relevant laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and assist them in understanding their respective duties in respect of information disclosure;
- (7) to urge directors and senior management to comply with laws, administrative regulations, provisions of the stock exchanges on which the Company's shares are listed and the Articles of Association and to earnestly fulfill their commitments; when the secretary is aware that the Company or its directors and senior management have made or may have made any resolution in violation of the relevant provisions, he or she shall warn the Company or any of its directors and senior management and immediately report such violation to the stock exchanges on which the Company's shares are listed;
- (8) to be responsible for management of movements in the Company's stocks and their derivatives; and
- (9) to fulfill other duties as required by laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed.

**Article 60** The secretary to the Board shall comply with the Articles of Association, assume related legal liabilities as a senior management personnel of the Company, have the obligations of loyalty and due diligence to the Company and shall not use his/her powers of office to seek for the benefits of others.

**Article 61** The Company shall officially appoint a secretary to the Board within three months upon the resignation of the former secretary to the Board. During the period of vacancy in the position, the Board shall promptly appoint a director or senior management to perform the duties of the secretary to the Board and make an announcement, and identify a new secretary to the Board as soon as practicable. Prior to the designation of a person to act as secretary to the Board, the chairman of the Company shall perform the duties of the secretary to the Board.

Where the position of the secretary to the Board of the Company has been vacant for more than three months, the chairman shall perform the duties of the secretary to the Board and the appointment of the secretary to the Board shall be completed within six months after performing the duties of the secretary to the Board.

**Article 62** After the Company appoints a secretary of the Board, it shall publish an announcement and submit the following materials to the stock exchanges in the places where the shares of the Company are listed in a timely manner:

- (1) recommendation letter of the Board of Directors, including the description of the qualifications of the secretary of the Board as stipulated by the stock exchanges in the places where the shares of the Company are listed, his/her current position, work performance and personal morality etc.;

- (2) curriculum vitae and a photocopy of the academic certificate of the secretary of the Board;
- (3) appointment letters for the secretary of the Board or relevant resolutions of the Board of Directors;
- (4) contact details of the secretary of the Board, including office phone number, mobile phone number, facsimile number, correspondence address and e-mail etc..

In case of any change in the aforesaid contact details, the Company shall submit the updated information to the stock exchanges in the places where the shares of the Company are listed in a timely manner.

The secretary to the Board shall ensure the stock exchanges where the Company's shares are listed can reach him or her at any time.

**Article 63** The Board of the Company may dismiss the secretary to the Board with justifiable reasons. The Company shall report to the Shanghai Stock Exchange and the Hong Kong Stock Exchange detailing the reasons and make an announcement when the secretary to the Board is dismissed or resigns.

**Article 64** In addition to the appointment of the secretary to the Board, the Board shall also appoint a securities representative to the Board. When the secretary to the Board is unable to perform his/her duties, the securities representative shall perform his/her duties on his/her behalf, which does not ipso facto relieve the secretary to the Board of his or her responsibility for the disclosure of information and other affairs of the Company during that period. The securities representative shall have the same qualifications as the secretary to the Board.

## **Chapter 7 Procedures for Convening Board Meetings**

**Article 65** The deliberations of the directors shall be conducted in the form of a Board meeting. A Board meeting shall be convened and presided over by the chairman of the Board.

**Article 66** Regular meetings of the Board are required to be held at least four times a year, each of which shall be convened two days before the Company publishes the annual report of the previous year, the quarterly reports and the interim report of the current year to consider relevant reports and matters on the agenda. The meetings shall be convened by the chairman of the Board, the notices of which shall be given to the directors in writing, by e-mail or facsimile 10 days before the date of such meetings.

Board meetings, in principle, are held at the Company's registered domicile. However, they may also be held at any other places in or outside of China as resolved by the Board.

**Article 67** The chairman of the Board shall convene an extraordinary meeting of the Board within 10 business days under any of the following circumstances:

- (1) when the chairman deems it necessary;

- (2) when jointly proposed by more than one-third of the directors;
- (3) when more than half of the independent directors propose;
- (4) when proposed by the audit committee;
- (5) when proposed by the general manager
- (6) when proposed by shareholders representing more than one-tenth of the voting rights.

**Article 68** The regular meetings or interim meetings of the Board can be held via teleconference or by means of any other similar communication devices. Directors are deemed as attending the meeting personally if the attending directors are able to clearly hear what other directors speak and communicate with each other.

**Article 69** Subject to compliance with laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, the Board may convene a Board meeting by way of on-site convening, communication voting or voting in writing. Draft of such resolution must be delivered to each director through mail, telegraph, facsimile or in person.

For any resolutions required to be passed by voting at an extraordinary board meetings, if the resolution to be passed is sent to all directors in writing (including email or fax) and the number of directors who sign and approve such resolution meets the number of directors as required to make such decision in accordance with Article 134 of the Articles of Association, such resolution is deemed effectively passed and no Board meeting is required to be convened.

**Article 70** The Board may convene an office meeting of the Board to discuss the following matters and the minutes of the meeting shall be produced:

- (i) communication among directors;
- (ii) matters that the secretary to the Board is unable to determine if disclosure is required;
- (iii) matters involving or suspected of involving illegal or non-compliant actions by directors or senior management;
- (iv) discussion of proposals on nomination of candidates for directors, candidate for the chairman of the Board and the nomination of any senior management;
- (v) matters requiring joint consultation the process of drafting the agenda of the Board meeting;
- (vi) matters arising in the process of implementing resolutions of the general meetings or the Board meetings that require consultation;



(vii) other matters not requiring a Board resolution.

The minutes of the office meeting of the Board are not required to be disclosed to the public. However, the Board shall not convene an office meeting of the Board to consider matters that should be passed by a Board resolution to circumvent the requirements of regulatory authorities for information disclosure.

**Article 71** Notice to convene a meeting of the Board shall be given as follows:

- (1) written notice of a regular meeting of the Board shall be given to all the directors by email or facsimile ten days before the date of such meeting;
- (2) written notice of an extraordinary meeting of the Board shall be given to all the directors by email or facsimile at least three days in advance. In case of emergency situations, where an extraordinary meeting of the Board is required to be convened as soon as possible, notice to convene the meeting may be given at any time by telephone or by other verbal means. The convener of the meeting is required to give an explanation at the meeting without subject to the aforementioned time limit restriction;

Notices of the meetings given by hand delivery shall be deemed received to be upon signature (or chop affixation) on the receipt by the recipient and the date of receipt shall be the date of such signature. The date of receipt of notices of the meetings given by email or facsimile shall be the following working day from such notice given by email or facsimile, and the date of dispatch of the email or facsimile shall prevail as shown in the email or facsimile report.

**Article 72** The notice of a Board meeting shall contain the following contents:

- (i) date and place for convening the meeting;
- (ii) duration of the meeting;
- (iii) reason for convening the meeting and the agenda thereof;
- (v) date of notice being given.

**Article 73** The resolutions to be proposed at the meeting of the Board, together with the notice, shall be delivered to the directors and relevant persons to be present at the meeting.

The Board shall provide sufficient information to the directors, including the background materials relating to the matters to be discussed at the meeting and those information and data to facilitate the directors' understanding of the Company's business development.

**Article 74** Directors shall attend any meeting of the Board in person. Where a director is unable to attend for some reason, he or she may authorize in writing another director to attend the Board meeting on his or her behalf.

The instrument of proxy shall specify the scope of authorization, name of the proxy, the matters to be authorized, authority and validity, and the appointor shall sign on or affix a chop to such instrument. The director attending the meeting on behalf of another director shall exercise the rights of the latter director within the scope of authorization. A director who fails to attend a particular Board meeting and fails to appoint a proxy to attend shall be deemed to have waived his or her right to vote at that meeting. An independent director shall not appoint a non-independent director to vote on his or her behalf.

**Article 75** The secretary to the Board shall be present at the Board meetings, and the senior management members who are not directors and the personnel involved with the topics to be considered shall be present at the meetings as required. The persons present at the meeting have the right to issue opinions about relevant topics but have no voting rights.

**Article 76** The submission procedure for decision-making resolutions of the Board:

- (1) proposal of a resolution: according to the functions and powers of the Board, a resolution shall be proposed by the chairman of the Board or a director or several directors jointly;
- (2) preparation of a resolution: a resolution proposed by the chairman of the Board shall be prepared by himself or have the secretary to the Board organize relevant functional departments to prepare. A resolution proposed by a director or several directors jointly shall be prepared by the director proposing the resolution, or, with the consent of the chairman of the Board, shall have the secretary to the Board organize relevant departments to prepare;
- (3) submission of a resolution: after the preparation of a resolution, the secretary to the Board shall first solicit opinions within a certain scope. After demonstration, evaluation and modification by relevant parties and personnel, it shall be submitted to the Board for discussion and decision once it is basically mature.
- (4) proposals for notifiable connected transactions shall be considered by special meetings of independent directors and approved by more than half of all the independent directors before being submitted to the Board for discussion.

## **Chapter 8 Voting Procedures of the Board Meetings**

**Article 77** A board meeting may only be held if more than half of the directors are present.

**Article 78** The collegial system is adopted at the Board meetings to allow every director to fully express his/her opinions and then to vote.

**Article 79** The Board resolutions shall be voted by the attending directors by an open and written ballot. The Board meetings implement a one-matter onevote, and one-person one-vote system. The voting contains affirmative votes and opposing votes, and generally no abstention is allowed. Those who vote for abstention shall state reasons and record on file.

Where the Board makes a resolution, except for the matters that must be agreed by more than twothirds of the directors as required by these Rules and relevant laws and administrative regulations and relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, all other matters must be passed by a majority of the general body of directors.

**Article 80** An interim Board meeting, under the premise that the directors are guaranteed to fully express opinions, can be conducted by way of a resolution in written form and the resolution shall be made upon the signatures of directors who cast their votes.

**Article 81** When the Board deliberates matters related to connected transactions, the connected directors shall abide by the rules of abstention, and abstain from voting, and such directors shall not exercise voting rights on behalf of other directors. Such directors shall not be counted in the number of attendees of the relevant meeting of the Board. Such a meeting of the Board shall be convened with the attendance of a majority of nonconnected directors. Resolutions made by the meeting of the Board shall be approved by a majority of non-connected directors. Where there are less than three non-connected directors in a meeting of the Board, any matters to be deliberated shall be submitted to the general meeting of shareholders.

The connected directors referred to in the preceding paragraph include the following directors or directors under any of the following circumstances:

- (1) directors who are the counterparty of a transaction;
- (2) directors having direct or indirect control over the counterparty;
- (3) directors working in the counterparty, or in a legal entity or other organization that can directly or indirectly control the counterparty, or a legal entity or other organization directly or indirectly controlled by the counterparty;
- (4) directors who are close family members of the counterparty or its direct or indirect controller;
- (5) directors who are close family members of the directors, supervisors, or members of the senior management of the counterparty or its direct or indirect controller;
- (6) directors whose independent business judgment may be affected as determined by relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed, or the Company based on the principle of substance over form.

**Article 82** When the Board discusses or decides on a material proposal that may be deferred objectively, if one-third of attending directors propose for reconsideration, the further discussion can be held. If the chairman of the Board, one-third of the directors, the audit committee or the general manager request reconsideration of the proposal voted on, the Board shall reconsider such proposal, but the reconsideration shall not exceed two times.

**Article 83** If the Board discusses and determines such issues on the employees' vital interests as wages, housing, benefits and labor insurance, it shall first listen to the views of the trade union and the employees of the Company.

If the Board considers and determines such important issues as production and operation and the formulation of important rules and regulations, it shall listen to the views and suggestions of the trade union and the employees of the Company.

**Article 84** The Board discussion shall be conducted strictly on the agenda topics, and no resolution shall be made on matters beyond the topics.

**Article 85** The convener of the Board meeting may, depending on the actual situation, decide to adjourn the meeting and arrange for its adjournment.

**Article 86** During the Board discussion, no director may leave the meeting without the convener's consent, or otherwise he or she will be considered as abstention of his/her rights as a director at the meeting.

**Article 87** The secretary to the Board or its authorized representative shall make detailed records of the agenda topics and content of the meeting. The directors, the secretary to the Board and the minutes-taker who attend the meeting shall sign on the minutes at the conclusion of the meeting. Attending directors have the right to request that their speeches given at the meeting be specifically noted in the records. The minutes of the Board meeting shall be kept by the secretary to the Board as records of the Company, serving as an important basis for clarifying the responsibilities of directors in the future.

**Article 88** The minutes of the Board meetings shall include the following:

- (i) date and venue of the meeting, and the name of the convener;
- (ii) names of directors attending the meeting and name of the appointed director (proxy) attending the meeting on behalf of any director; (iii) agenda of the meeting;
- (iv) main points of directors' speeches;
- (v) methods and results of voting on each resolution (the voting results shall specify the number of affirmative, opposing or abstention votes).

**Article 89** The directors who attend the meeting shall sign on the Board resolutions and assume liabilities for the same.

**Article 90** If a director fails to sign on the meeting minutes or its resolutions, he/she will be considered an absence of the Board meeting for no reason.

**Article 91** A resolution of the Board of Directors of the Company shall be invalid under any of the following circumstances:

- (1) The resolution was made without a Board meeting;
- (2) The Board meeting did not vote on the resolution;
- (3) The number of persons attending the meeting did not reach the number specified in the Company Law or the Articles of Association;
- (4) The number of person s agreeing to the resolution did not reach the number specified in the Company Law or the Articles of Association.

## **Chapter 9 Announcement Procedures for the Board Resolutions**

**Article 92** Where a Board resolution involves matters that require to be voted at a general meeting of shareholders and matters that require to be announced according to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the secretary to the Board must be responsible for announcing such resolution. For other matters that the Shanghai Stock Exchange and the Hong Kong Stock Exchange deem necessary to be announced, they shall also be announced.

Where the Shanghai Stock Exchange and the Hong Kong Stock Exchange request the Company to provide information about the Board meetings, the secretary to the Board shall do so within the specified time of period as required.

## **Chapter 10 Documentation of the Board Meetings**

**Article 93** The Board shall keep the minutes, summary, resolutions of all previous shareholders' meetings, Board meetings, financial audit reports, register of shareholders and other materials, which shall be kept in Chinese by the Board, at the Company for inspection for a period of not less than ten years.

**Article 94** The secretary to the Board shall be responsible for drawing up the measures for the documentation of the Board meetings, and effectively managing the documents of the Board meetings in accordance with relevant regulations.

## **Chapter 11 Other Working Procedures of the Board**

### **Article 95** Decision-making procedures of the Board

- (1) Investment decision-making procedures: the Board entrusts the general manager to organize relevant personnel to prepare medium and long term development plans, the annual investment plans and investment proposals for major projects of the Company, submit them to the Board for deliberation and form resolutions of the Board; major business matters that need to be submitted to the shareholders' meeting shall be submitted to the shareholders' meeting for deliberation according to procedures, and shall be organized and implemented by the general manager after approval.
- (2) Work procedures for profit distribution: the Board entrusts the general manager to organize relevant personnel to prepare plans for the Company's distribution of profits and making up losses, submit them to the Board; the Board shall formulate plans, and submit them to the shareholders' meeting for deliberation and approval, which shall be organized and implemented by the general manager after approval.
- (3) Personnel appointment and dismissal procedures: according to the appointment and dismissal nominations proposed by the Board, the chairman of the Board and the general manager within their respective terms of reference, the Nomination and Remuneration Committee of the Board shall review by law or the Company shall organize the personnel department to assess the appointment and dismissal, and submit the appointment and dismissal opinions to the Board for approval.
- (4) Work procedures for material matters: before reviewing and signing the documents of material matters determined by the Board, the chairman of the Board shall study the relevant matters, judge their feasibility, and sign the opinions after the Board has approved and formed a resolution, to minimize the decision-making errors.

### **Article 96** The Board shall examine the working procedures.

During the implementation of the Board resolutions, the chairman of the Board (or relevant departments and personnel entrusted) may follow up and inspect the progress of the implementation of the resolutions. If any violations of the resolutions are found during the inspection, in addition to requesting and urging the general manager to immediately rectify such violations, the chairman of the Board may also further propose to convene a Board meeting to discuss and decide on imposing corresponding penalties.

## **Chapter 12 Supplementary Provisions**

**Article 97** The phrase "more than" as mentioned in these Rules is inclusive while "less than", "lower than", "below", "exceeding" and "more than" are exclusive.

**Article 98** Matters not provided for under these Rules shall be dealt with in accordance with the provisions of the relevant national laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed and the Articles of Association.

**Article 99** As an annex to the Article of Association, these Rules shall have the same legal effect as the Article of Association.

Amendments to these Rules shall be proposed by the Board and submitted to the general meeting of shareholders for consideration and approval.

**Article 100** These Rules shall come into effect from the date of approval at the general meeting of shareholders.

**Article 101** Where there is any discrepancy between these Rules and the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, and other laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchanges in the places where the Company's shares are listed and the Articles of Association, the latter shall prevail, and these Rules shall be amended forthwith.

**Article 102** The Board of the Company is responsible for the interpretation of these Rules.