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

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

(Stock Code: 0038)

AMENDMENT OF THE “ADMINISTRATIVE MEASURES ON RELATED TRANSACTIONS” AND “WORKING RULES FOR INDEPENDENT DIRECTORS”

In order to improve the level of compliance in operation and in light of the actual situation, First Tractor Company Limited* (hereinafter referred to as the “**Company**”) proposes to:

1. consolidate and amend the existing “Management Principles on Related Transactions” and “Decision Making Principles on Related Transactions”; clarify the decision-making authority and decision-making procedures for related transactions in the “Administrative Measures on Related Transactions” and repeal the original “Decision Making Principles on Related Transactions”; and
2. amend the “Working Rules For Independent Directors”; such amendments were made in accordance with the principles and guiding opinions on the reform of the independent directors’ system set out in the “Reforming Opinions on the System for Independent Director of Listed Companies” (Guo Ban Fa [2023] No. 9) issued by the State Council of The People’s Republic of China in April 2023 and the Administrative Measures for Independent Directors of Listed Companies (CSRC Decree No. 220) and the supporting regulatory guidelines issued by the China Securities Regulatory Commission and Shanghai Stock Exchange.

Details of the amended “Administrative Measures on Related Transactions” and “Working Rules For Independent Directors” are set out in appendix 1 and appendix 2, respectively, of this announcement.

The amended “Administrative Measures on Related Transactions” and “Working Rules For Independent Directors” are subject to approval at the general meeting of the Company.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED*
YU Lina
Company Secretary

Luoyang, the PRC
20 November 2023

As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) as executive Director; Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Zhang Bin as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.

* *For identification purposes only*

APPENDIX 1

FIRST TRACTOR COMPANY LIMITED* THE ADMINISTRATIVE MEASURES ON RELATED TRANSACTIONS

CHAPTER I GENERAL PROVISIONS

Article 1 This Measures is hereby formulated for regulating the related transactions of First Tractor Company Limited* (hereinafter referred to as the “Company”), enhancing the standard of the Company’s standardized operation, and safeguarding the legal rights and overall interests of the Company and the shareholders, in accordance with the Company Law of the People’s Republic of China, Securities Law of the People’s Republic of China, Measures for the Administration of Information Disclosure by Listed Companies of the China Securities Regulatory Commission (hereinafter referred to as “CSRC”), Rules Governing the Listing of Stocks on Shanghai Stock Exchange (hereinafter referred to as “SSE Listing Rules”), the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (hereinafter referred to as “Stock Exchange Listing Rules”) and other laws, regulations, rules, normative documents and the relevant provisions of the Articles of Association of the Company.

Article 2 Related transactions refer to the matters that may cause the transfer of resources or obligations between the Company, its controlled subsidiary or other controlled entities and a related party of the Company.

Article 3 The Company shall enter into written agreements on related transactions with related parties and execute them in accordance with the agreements. The signing of an agreement on related transactions shall follow the principles of equality, voluntariness, pricing equality and compensation, and the contents of the agreement shall be clear and specific.

Article 4 The functional departments, non-independent legal entities, controlled and wholly-owned subsidiaries (hereinafter referred to as “Relevant Units”) of the Company in which related transactions occur shall be the first responsible parties for the decision-making and management of related transactions of the Company, and shall be responsible for the signing, approval, account management and fulfillment control of related transaction agreements.

As the compliance management department for related transactions, the Office of the Board of the Company is responsible for the compilation of the list of related parties, the approval of daily related transactions and the disclosure of information on related transactions.

The Finance Department of the Company is responsible for the management of related transactions prices, daily statistics on related transactions, and the execution and control of the estimated total annual transaction amounts.

The Audit and Legal Affairs Department of the Company is responsible for the review of related transaction agreements and the supervision and evaluation of internal control over related transactions.

CHAPTER II SCOPE OF RELATED PARTIES AND RELATED TRANSACTIONS

Article 5 Related parties of the Company include related natural persons and related legal persons.

Article 6 A natural person falling into one of the followings is a related natural person of the Company:

- (1) Any natural person who directly or indirectly holds 5% or more of the shares of the Company;
- (2) The director, supervisor and senior management of the Company;
- (3) The director, supervisor and senior management of the legal person (or other organization) that directly or indirectly controls the Company;
- (4) Family members that have a close relationship with a person specified in Items (1) and (2) of this Article;
- (5) Other natural persons as determined by the CSRC, the SSE, the Stock Exchange or the Company under the “substance over form” principle that have any special relationship with the Company or may cause a disequilibrium of interests of the Company.

Article 7 A legal person (or other organization) falling into one of the followings is a related legal person of the Company:

- (1) Any legal person (or other organization) that directly or indirectly controls the Company;
- (2) Any legal person (or other organization) other than the Company, its controlled subsidiaries and other controlled entities, that is directly or indirectly controlled by the entities mentioned in item (1);
- (3) Any legal person (or other organization), other than the Company, its controlled subsidiaries and other controlled entities, that is directly or indirectly controlled by the related natural person mentioned in this Measures or in which the related natural person assumes the position of director (excluding independent directors serving concurrently in both parties) or senior management;
- (4) Any legal person (or other organization) that holds 5% or more of the shares of the Company and persons acting in concert;
- (5) Any other legal person or other organization that, as determined by the CSRC, the SSE, the Stock Exchange or the Company under the “substance over form” principle, has any special relationship with the Company or may cause a disequilibrium of interests of the Company.

Article 8 A legal person, other organizations or natural person falling into one of the followings is considered a related party of the Company:

- (1) Any legal persons, other organizations, or natural persons that, according to the relevant agreements and arrangements concluded with the Company or its related parties, will fall into any of the circumstances as prescribed in Article 6 or Article 7 after the said agreements or arrangements take effect or in the upcoming 12 months;
- (2) Any legal persons, other organizations, or natural persons that have fallen into any of the circumstances as stated in Article 6 or Article 7 in the past 12 months;
- (3) Contact persons of the Company’s related natural persons and related legal persons recognized by the Hong Kong Stock Exchange Listing Rules.

Article 9 The Company's related transactions include, but are not limited to, the following:

- (1) Purchase or sale of assets;
- (2) External investment (including consigned financial management, investment in subsidiaries, etc.);
- (3) Provision of financial assistance (including interest bearing or non-interest bearing loans and entrusted loans, etc.);
- (4) Provision of guarantee (including those for the controlled subsidiaries);
- (5) Lease in or out assets;
- (6) Entrusting or being entrusted to manage the assets and operations;
- (7) Donating assets or receiving donated assets;
- (8) Restructuring of creditor's right or debts;
- (9) Signing licensing agreements;
- (10) Transferring or acquiring R&D projects;
- (11) Waiver of rights (including waiver of pre-emptive right, priority for invited capital contribution and other rights);
- (12) Purchase of raw materials, fuels and power;
- (13) Sale of products and commodities;
- (14) Provision or receipt of labour services;
- (15) Sales consignment or sales on commission;
- (16) Deposit and loan businesses of related financial companies;

- (17) co-investment with the related parties;
- (18) Other matters that are likely to lead to the transfer of resources or obligations through agreement.

CHAPTER III DECISION-MAKING AND DISCLOSURE OF INFORMATION ON RELATED TRANSACTIONS

SECTION I GENERAL PROVISIONS

Article 10 All related transactions of the Company shall be carried out after the fulfillment of the approval procedures. A resolution on a related transaction submitted for decision-making shall include at least the following contents:

- (1) A brief description of the transaction and general information of the transaction subject;
- (2) Description of the related relationship among parties to the transaction and the general information of related parties;
- (3) Pricing policies and pricing bases of the transaction;
- (4) Principal contents of the transaction agreement;
- (5) Purpose of the transaction and its impact on the Company;
- (6) Other information required to be disclosed under the rules for listed companies of the SSE and the Stock Exchange.

The Office of the Board will prepare information disclosure documents such as relevant individual announcements and shareholders' circulars pursuant to the proposal of the related transaction.

Article 11 Where the transactions between the Company and the related parties meet one of the following standards, it shall be submitted to the Board for consideration and an individual announcement shall be issued in a timely manner:

- (1) Related transactions between the Company and related natural persons with a transaction amount of RMB300,000 or more (except for the provision of guarantees by the Company);
- (2) Related transactions between the Company and related legal persons with a transaction amount of more than RMB3,000,000 and accounting for 0.5% or more of the absolute value of the Company's latest audited net assets (except for the provision of guarantees by the Company);
- (3) Any one of the ratios of transaction-related assets ratio, consideration ratio, income ratio, and equity ratio (excluding daily related transactions) calculated in accordance with the Listing Rules of the Stock Exchange reaches 0.1% and is less than 5%;
- (4) Any one of the above ratios, calculated in accordance with the Listing Rules of the Stock Exchange, reaches 5% and is less than 25%, and at the same time the total transaction amount is less than HK\$10,000,000.

If the amount of the related transactions does not meet the standard of this Article, it shall be implemented after the General Manager's Office of the Company has considered and approved the transaction.

Article 12 Where the transactions between the Company and the related parties meet one of the following criteria, it shall be submitted to a general meeting for consideration and an individual announcement and a shareholders' circular shall be issued:

- (1) Related transactions between the Company and related parties (except for the provision of guarantees by the Company) with a transaction amount of more than RMB30,000,000 and accounting for 5% or more of the absolute value of the Company's latest audited net assets.
- (2) Any one of the ratios of transaction-related assets ratio, consideration ratio, income ratio, and equity ratio (excluding daily related transactions) calculated in accordance with the Listing Rules of the Stock Exchange reaches 5%.

Article 13 The recurrent and continuous occurrence of related transactions listed in items (12) to (17) of Article 9 of this Measures between the Company and its related parties due to the needs of production and operation shall be regarded as the Company's daily related transactions, and the Company shall perform review procedures and issue individual announcements in accordance with the following provisions:

- (1) Relevant units shall reasonably estimate the total annual transaction amounts according to the types of daily related transactions and fulfill the approval procedures in accordance with Articles 11 and 12 of this Measures; if there is no specific transaction amount, it shall be submitted to the general meeting for consideration;
- (2) In the course of execution of daily related transactions, if there are significant changes in the main terms of the agreement or if the agreement needs to be renewed upon expiration, the review procedures of the newly revised or renewed agreement on daily related transactions shall be re-executed in accordance with the estimated total annual transaction amount for approval; and in the event that the actual amount of the transaction exceeds the estimated total annual transaction amount, it shall be submitted to the Board or the general meeting for consideration on the basis of the amount of the exceeding transaction amount;
- (3) Where the term of an agreement on daily related transactions between the Company and a related party exceeds three years, the Company shall re-execute the relevant review procedures and disclosure obligations every three years.

Article 14 The following related transactions of the Company occurring within a period of 12 consecutive months shall be calculated in accordance with the principle of cumulative calculation and the provisions of Articles 11 and 12 of this Measures shall apply respectively:

- (1) The transactions conducted with the same related party;
- (2) The transactions conducted with different related parties, of which the underlying transaction is related under the same transaction category.

The same related party as specified above includes other related parties controlled by the same entity or having a mutual equity control relationship with the related parties.

If the related transaction proposed by the Company meets the criteria for decision-making by the Board and/or the general meeting due to the application of the cumulative calculation principle for a period of 12 consecutive months, the transaction shall be submitted to the Board and/or the general meeting for approval.

If the Company has fulfilled relevant approval obligations in accordance with regulations, they shall no longer be included in the corresponding scope of cumulative calculation.

Article 15 When the Board of the Company considers any related transaction matters, the related director shall withdraw from voting and not exercise any voting rights on behalf of other directors. Such meeting of the Board may be convened so long as a majority of unrelated directors is present, and any resolution made at the meeting of the Board shall be adopted by a majority of the unrelated directors. Where the number of unrelated directors present at the meeting of the Board is less than three, the Company shall submit the transaction to the general meeting for consideration.

Related directors include the following directors or a director who falls into any of the following:

- (1) The counterparty of a transaction;
- (2) The direct or indirect controller of the counterparty;
- (3) A director holding a position at the counterparty, or holding a position in the legal person or other organization that directly or indirectly controls the counterparty or that is directly or indirectly controlled by the counterparty;
- (4) A close family member of the counterparty or a close family member of the direct or indirect controller of the counterparty;
- (5) A close family member of the counterparty or a close family member of the directors, supervisors or senior management personnel of the direct or indirect controller of the counterparty;
- (6) Directors whose independent business judgment may be affected as determined by the CSRC, the SSE or listed companies based on the principle of substance over form.

Article 16 When the general meeting of the Company considers any related transaction matters, the related shareholder shall withdraw from voting and shall not exercise any voting rights on behalf of other shareholders.

Related shareholders include the following shareholders or a shareholder who falls into any of the followings:

- (1) The counterparty;
- (2) The direct or indirect controller of the counterparty;
- (3) Is directly or indirectly controlled by the counterparty;
- (4) Is directly or indirectly controlled by the same legal person or other organization or natural person with the counterparty;
- (5) Works for the counterparty, or a legal person or any other organization that directly or indirectly controls the counterparty or is directly or indirectly controlled by the counterparty;
- (6) Is a close family member of the counterparty or its direct or indirect controller;
- (7) A shareholder whose voting rights are restricted or affected due to an equity transfer agreement with the counterparty or its related party that has not been completely performed or other agreements;
- (8) A shareholder deemed by the CSRC or the SSE to likely cause an disequilibrium of the Company's interests toward himself.

Article 17 For related transactions that should be disclosed by the Company in accordance with the Listing Rules, they shall be submitted to the directors for consideration after being approved by a majority of all the independent directors of the Company. Before making their judgment, the independent directors may engage an independent financial advisor to issue a report to serve as the basis for their judgment.

Article 18 When the Company commences a related transaction that complies with the exemptions of the listing rules of the SSE and the Stock Exchange, it may be exempted from performing the decision-making procedures in accordance with this Measures, but it shall still perform the disclosure obligations and the review procedures in accordance with the relevant requirements of the transaction.

SECTION II SPECIAL PROVISIONS

Article 19 Where the Company provides guarantee to related parties, in addition to the consideration and approval by more than half of all non-related directors, it is also subject to consideration, approval and resolution by more than two-thirds of the non-related directors present at the board meeting, and shall be submitted to the general meeting for consideration. Where the Company provides guarantee to controlling shareholders, de facto controllers and its related parties, the controlling shareholders, de facto controllers and its related parties shall provide counter-guarantee.

Article 20 The Company shall not provide financial assistance to its related parties, except where the Company provides financial assistance to the related joint-stock companies that are not controlled by the controlling shareholder or the de facto controller of the Company and the other shareholders of such joint-stock companies provide financial assistance with the equal conditions in proportion to their respective capital contributions.

Where the Company intends to provide financial assistance to any of the aforesaid related joint-stock companies, in addition to consideration and approval by a simple majority of all non-related directors, consideration and approval by more than two-thirds of the non-related directors present at the Board meeting shall be required, and the matter shall be submitted to the general meeting for deliberation.

Article 21 For a joint venture set up by the Company and related parties, the Company's capital contribution shall be taken as the transaction amount, and the relevant standards stipulated in the provisions of Article 11 and Article 12 of this Measures shall apply. If all contributing parties contribute the entire capital amount in cash, and the shareholding ratio of the respective parties in the company to be established is determined according to the proportion of capital contribution, the requirement of submission to the general meeting for consideration can be exempted.

Article 22 Where the Company has entered into a related transaction with a related party as a result of a waiver of rights, the amount of the related transaction shall be determined in accordance with the following principles, which shall be applicable to the provisions of Articles 11 and 12 of this Measures.

- (1) If the Company directly or indirectly waives its right of pre-emptive purchase or capital contribution to a controlled subsidiary or other entity under its control, which results in a change in the scope of the consolidated financial statements, the amount of the waiver shall be based on the relevant financial indicators of the entity;
- (2) If the Company's waiver of rights does not result in a change in the scope of the Company's consolidated financial statements, but the proportionate share of interest in the entity decreases as compared to the non-waiver of rights, the amount of the waiver shall be determined by comparing the amount of the waiver with the relevant financial indicator calculated in proportion to the change in interest;
- (3) If the Company partially relinquishes its rights, the amounts and indicators stipulated in the preceding two paragraphs and the actual amount of the transfer or capital contribution shall apply.

Article 23 Where the relevant arrangements for transactions between the Company and the related parties involve conditional determined amount, such as consideration that may be paid or collected in the future, the maximum amount expected shall be the transaction amount, and the relevant standards stipulated in the provisions of Article 11 and Article 12 of this Measures shall apply.

Article 24 For entrusted wealth management between the Company and its related parties, if it is difficult to perform the consideration procedures and disclosure obligations for each investment transaction due to the frequency of transactions and time limitation requirements, the investment scope, investment quota and period shall be reasonably estimated, and the quota (including the estimated investment income) shall be treated as the basis of calculation, and the relevant standards stipulated in the provisions of Article 11 and Article 12 of this Measures shall apply.

Article 25 For the financial business such as deposits and loans between the Company and the financial company which it has a related relationship, the decision-making and disclosure obligation shall be implemented based on the standard of the higher of the amount of deposit principal and interest, or loan interest, and in accordance with the relevant standards stipulated in Articles 11 and 12 of this Measures, and shall follow the No. 5 Self-Regulation Guidelines for Listed Companies of the Shanghai Stock Exchange – Transactions and Related Transactions.

CHAPTER IV INTERNAL CONTROL MANAGEMENT OF RELATED TRANSACTIONS

Article 26 The directors, supervisors, senior management, shareholders holding 5% or more of shares, de facto controllers and concert parties of the Company shall inform the Company of their related relationships with the Company in a timely manner and the Company shall be responsible for registration management.

Article 27 The office of the Board is responsible for compiling the list of related parties on a regular basis and maintaining and updating it in a timely manner in light of changes in the situation of related parties.

Article 28 For the daily related transactions that occur for the first time in the Company, the Relevant Units shall be responsible for formulating the framework agreement and calculating the estimated annual transaction amount; the Finance Department, Audit and Legal Affairs Department and other departments shall conduct a meeting to review the agreement before its execution; and the office of the Board shall be responsible for organizing the implementation of the approval procedures and the disclosure of information obligations.

Article 29 For the non-daily related transactions of the Company, the Relevant Units shall notify the office of the Board in a timely manner prior to the signing of the agreement, whereby the office of the Board shall determine the nature of the transaction in accordance with the Listing Rules and this Measures, guide the Relevant Units to fulfill the approval procedures and complete the information disclosure related work. The Relevant Units shall report the relevant information to the office of the Board of the Company for record on the date of signing the agreement.

Article 30 The price of a related transaction may be specified in the related transaction agreement by reference to the following pricing methods in accordance with the specific circumstances of the business:

- (1) Where there is a state-prescribed price (政府定價) for a related transaction, such a price shall apply directly;
- (2) Where there is a state-recommended price (政府指導價) for such a transaction, the ultimate price may be set within the indicative range set by the government;
- (3) Other than state prescribed prices or state-recommended prices, the price for a related transaction may be set based on the market price or charge standard of a comparable independent third party as long as such a price or standard is available;
- (4) Where such a market price of a comparable independent third party for such a transaction is not available, the price may be based on the price of a non-related transaction between the Company or the related party and a third party independent of the related party;
- (5) Where there are neither market prices of independent third parties nor prices of non-related transactions as relevant, reasonably constituted prices, comprised of reasonable costs and reasonable profit, may be used as a basis for pricing;
- (6) If the transaction price cannot be determined according to the above methods, the price or rate shall be determined by agreement between the parties to the transaction.

Article 31 The Relevant Units shall fulfill the related transaction agreements in good faith, strictly implement the management of related transaction accounts, track the fulfillment of the related transaction agreements, and notify the office of the Board of the progress of the fulfillment of the agreements in a timely manner in accordance with the requirements for information disclosure. Relevant units implementing daily related transactions shall monitor and control the implementation of daily related transaction limits in accordance with the requirements of the Finance Department.

Article 32 The Finance Department shall compile quarterly statistics on the actual transaction amounts of daily related transactions and report the actual execution of the Company’s daily related transactions to the Audit Committee of the Board on a semi-annual basis.

The Finance Department and the office of the Board shall issue a warning to the Relevant Units in a timely manner if the amount of daily related transactions is approaching the estimated amount. If the Relevant Units needs to adjust the estimated annual transaction amount based on the actual operating conditions, it shall fulfill the approval procedures in accordance with Article 13 of this Measures.

CHAPTER V ACCOUNTABILITY

Article 33 If the directors, supervisors and senior management and the staff of the Relevant Units of the Company engage in any of the following behaviors, which result in violation of the disclosure of information on related transactions of the Company, the Company may pursue the responsibility of the relevant responsible persons according to the severity of the situation and the impact caused to the Company:

- (1) The occurrence of related transactions without the signing of a written agreement;
- (2) A related transaction has not been subject to the approval procedures in accordance with the provisions of this Measures;
- (3) The actual amount of daily related transactions exceeding the approved estimated annual transaction amount;
- (4) Other acts prohibited by the CSRC, the SSE and the Stock Exchange.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 34 Close family members referred to in the Measures include spouses, parents, children aged 18 years and above and their spouses, siblings and their spouses, spouses’ parents, spouses’ siblings and the children’s parents-in-law. For the purpose of this Measures, “above” shall be inclusive.

Article 35 The contact persons referred to in this Measures shall be subject to the definitions in Rules 14A.12 to 14A.15 of the Listing Rules of the Stock Exchange.

Article 36 Unless otherwise stated herein, terms used in this Measures shall have the same meanings as in the Articles of Association and shall be interpreted in accordance with the definitions and interpretations set forth in the Articles of Association.

Article 37 Any matters not mentioned herein or conflicting with promulgated laws, administrative regulations, regulatory requirements of the place where the Company's shares are listed, the Articles of Association of the Company, or where such laws, administrative regulations, regulatory requirements of the place where the Company's shares are listed have more stringent provisions, the relevant laws, regulations, regulatory requirements of the place where the Company's shares are listed, and the Articles of Association of the Company shall prevail.

Article 38 This Measures shall be interpreted by the Board.

Article 39 This Measures shall be formulated or amended by the Board of the Company and shall become effective after being considered and approved by the general meeting.

* *For identification purposes only*

APPENDIX 2

WORKING RULES FOR INDEPENDENT DIRECTORS OF FIRST TRACTOR COMPANY LIMITED*

CHAPTER 1 GENERAL PROVISIONS

Article 1 First Tractor Company Limited (herein after referred to as the “Company”), in order to further develop the role of Independent Directors in corporate governance and promote the due diligence of Independent Directors of the Company, formulated the Rules in accordance with regulations such as the Company Law of the People’s Republic of China (herein after referred to as the “Company Law”), Securities Law of the People’s Republic of China, Administrative Measures for Independent Directors of Listed Companies, Reforming Opinions on the System for Independent Director in Listed Companies by the General Office of the State Council, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, Code of Corporate Governance for Listed Companies, the Guidelines for Self-regulatory Supervision of Listed Companies on the Shanghai Stock Exchange (No. 1) - Regulatory Operation and the Articles of Association of First Tractor Company Limited (herein after referred to as the “Articles of Association”).

Article 2 Independent Director of the Company refers to a Director who does not take up any post in the Company other than serving as an Independent Director; does not have any direct or indirect interest in the Company and its substantial shareholders, de facto controllers, or in other ways that may prevent he/she from exercising independent and objective judgments.

The Independent Directors of the Company shall perform their duties independently and shall not be subject to the influence of the Company, its substantial shareholders, de facto controllers and other units or individuals.

Article 3 The Independent Directors shall have the obligation of loyalty and diligence to the Company and all shareholders, and shall seriously perform their duties in accordance with the requirements of the laws, administrative regulations, the regulations of the China Securities Regulatory Commission (hereinafter referred to as the CSRC), the business rules of the stock exchanges and the Articles of Association, and shall play the roles of participation in decision-making, supervision, checks and balances, and professional consultation in the Board, so as to safeguard the overall interests of the listed company, and to protect the legitimate rights and interests of the small and medium shareholders.

Article 4 The Independent Directors of the Company shall account for no less than one-third of the members of the Board and shall include at least one accounting professional.

CHAPTER 2 QUALIFICATION REQUIREMENTS FOR INDEPENDENT DIRECTORS

Article 5 Independent Directors must be independent and the following persons may not hold the position of Independent Director:

- (1) Persons employed by the Company or its subsidiaries and their spouses, parents, children and major social relations;
- (2) Natural person shareholders who directly or indirectly hold over 1% of the issued shares of the Company or that rank in the top ten shareholders of the Company, and their spouses, parents or children;
- (3) Persons who hold positions in entities that directly or indirectly hold over 5% of the issued shares of the Company or that rank in the top five shareholders of the Company, and their spouses, parents or children;
- (4) Persons employed by the subsidiaries of the Company's controlling shareholders and de facto controllers and their spouses, parents and children;
- (5) Persons who have material business transactions with the Company and its controlling shareholders, de facto controllers or their respective subsidiaries, or who hold positions in units with which they have material business transactions and their controlling shareholders or de facto controllers;
- (6) Persons providing financial, legal, advisory and sponsorship services to the Company and its controlling shareholders, de facto controllers or their respective subsidiaries, including, but not limited to, all staffs of the project team of the intermediary organizations providing the services, all levels of reviewers, persons signing on the report, partners, directors, senior management and key persons in charge;
- (7) Persons who have been involved in any of the circumstances listed in items 1 to 6 within the last 12 months;

- (8) Other persons who are not independent as stipulated in the laws, administrative regulations, CSRC regulations, business rules of the stock exchanges and the Articles of Association.

The Independent Directors of the Company shall conduct a self-examination of their independence on an annual basis and submit the self-examination to the Board. The Board of the Company shall evaluate the independence of the incumbent Independent Directors annually and issue a special opinion, which shall be disclosed at the same time as the Company's annual report.

Article 6 Independent Directors shall meet the following basic conditions:

- (1) Have the qualifications to hold the position of Independent Director in the listed company in accordance with laws, administrative regulations and other relevant regulations;
- (2) Comply with the laws, administrative regulations, CSRC regulations, the business rules of the stock exchanges and the independence requirements of the Articles of Association;
- (3) Possess the basic knowledge about the operation of listed companies, and being familiar with the relevant laws and regulations;
- (4) Have over five years of experience in law, accounting, economy or other experiences necessary for serving as an Independent Director; an accounting professional who is nominated as a candidate for Independent Director shall have relatively rich professional knowledge and experience in accounting and possess a qualification of Certified Public Accountant, or possess a senior professional title, associate professor and above title or doctorate in accounting, auditing, or financial management, or possess senior titles in economic management and have more than five years of full-time experience in accounting, auditing, or financial management and other professional positions;
- (5) Possess good personal integrity and have no adverse records such as material breach of trust as stipulated by the CSRC and the stock exchanges;
- (6) Other conditions stipulated by the laws, administrative regulations, CSRC regulations, stock exchange business rules and the Articles of Association.

Article 7 An Independent Director shall concurrently serve as an Independent Director in a maximum of three domestic listed companies (including the Company) and shall ensure that sufficient time and effort are devoted to the effective discharge of his/her duties as an Independent Director.

CHAPTER 3 APPOINTMENT AND REMOVAL OF INDEPENDENT DIRECTORS

Article 8 The Board, the supervisory committee of the Company and shareholders who individually or jointly holding more than 1% of the issued shares of the Company (hereinafter collectively referred to as “Nominator”) shall have the right to nominate candidates who shall become the Independent Directors by election at a general meeting.

A Nominator shall not nominate a person in whom he/she has an interest or a close relationship that may affect the independent performance of his/her duties as a candidate for Independent Director.

Article 9 A Nominator of an Independent Director shall obtain the consent of the nominee before making the nomination, and shall prudently verify whether the Independent Director candidate meets the conditions and qualifications for appointment, the ability to perform the duties of the office, and whether there are any circumstances affecting his/her independence, and shall make a declaration and an undertaking in respect of the results of such verification. Candidates for Independent Directors shall make declarations and undertakings as to whether they comply with the laws and regulations and the requirements of the Company in respect of the conditions of office, qualifications for office and independence. The Nomination Committee of the Board of the Company shall examine the qualifications of the Independent Director candidates for appointment and form a clear opinion on such examination.

Article 10 The Company shall disclose the basic information of the Independent Director candidates, such as occupation, academic qualifications, title, detailed employment experience, all part-time jobs, and whether there is any major breach of trust and other adverse records, before the general meeting for the election of the Independent Directors, and report the relevant materials of the Independent Director candidates to the stock exchange. If a candidate for Independent Director does not meet the requirements for appointment as an Independent Director or the requirements of independence, the stock exchanges may raise objections to conditions of the candidate's appointment as an Independent Director or his/her independence. The Company shall disclose in a timely manner any candidate to whom the stock exchanges has raised objections and shall not submit the candidate to the general meeting for election. If the proposal has already been submitted to the general meeting for consideration, it shall be cancelled.

Article 11 A cumulative voting system shall be implemented for the election of two or more Independent Directors at the general meeting of the Company. Small and medium shareholders shall cast their votes individually and the voting results shall be disclosed.

Article 12 The term of office of Independent Directors shall be the same as that of the other Directors of the Company. At the expiry of the term of office, Independent Directors may continue in office upon re-election, provided that such consecutive term of office shall not exceed 6 years. For those who have served for six consecutive years shall not be nominated again as a candidate for Independent Director of the Company within 36 months from the date of occurrence of such fact.

Article 13 Prior to the expiry of the term of office of an Independent Director, the Company may terminate his/her duties in accordance with the statutory procedures and shall disclose the specific reasons and basis for such termination as well as the dissenting views of the Independent Director.

An Independent Director who fails to meet the conditions of office or the requirements of independence after taking up office shall immediately cease to perform his/her duties and resign from office. If he/she fails to resign in time, the Board of the Company shall, in accordance with the Articles of Association of the Company, terminate his/her duties immediately after it has become aware of, or should have become aware of, the occurrence of such fact.

Where an Independent Director resigns or is terminated as a result of the circumstances set out above, resulting in the proportion of Independent Directors on the Board or specialized committees of the Company not being in compliance with the provisions of the Rules or the Articles of Association, or where there is a lack of accounting professionals among the Independent Directors, the Company shall complete the by-election within 60 days from the date of the occurrence of the aforesaid fact.

Article 14 An Independent Director may tender resignation before expiration of his/her term of office by submitting a written resignation report to the Board, and providing an explanation of whether there are circumstances that need to be brought to the attention of the shareholders and creditors of the listed companies. The Company shall disclose in a timely manner the reasons for and concerns regarding the resignation of an Independent Director.

If the resignation of an Independent Director resulting in the proportion of Independent Directors on the Board or specialized committees of the Company not being in compliance with the provisions of the Rules or the Articles of Association, or where there is a lack of accounting professionals among the Independent Directors, the Company shall complete the by-election within 60 days from the date of the resignation, and the Independent Director who intends to resign shall continue to perform his/her duties until the date of which a new Independent Director is elected.

CHAPTER 4 ROLES OF INDEPENDENT DIRECTORS AND PERFORMANCE OF DUTIES

Article 15 The Independent Directors of the Company shall perform the following duties:

- (1) Participate in the decision-making of the Board and express a clear opinion on the matters discussed;
- (2) To supervise matters involving potential material conflicts of interest between the Company and its controlling shareholders, de facto controllers, Directors and senior management so as to ensure that the decisions of the Board are in line with the overall interests of the Company and to protect the legitimate interests of small and medium shareholders;
- (3) To provide professional and objective advice on the Company's operation and development, and to promote the enhancement of the Board's decision-making level;

- (4) Other duties as stipulated by the laws, administrative regulations, CSRC regulations and the Articles of Association.

Article 16 Independent Directors of the Company shall have the following specific authorities:

- (1) Engage an independent intermediary organization to conduct audits, consultations or verifications on specific matters of the Company;
- (2) Make proposals to the Board for holding an extraordinary general meeting;
- (3) Make proposals to hold Board meetings;
- (4) Collect voting rights from Shareholders in public in accordance with the laws;
- (5) Express independent opinions on matters that may prejudice the interests of the Company or small and medium shareholders;
- (6) Other duties as stipulated by the laws, administrative regulations, CSRC regulations and the Articles of Association.

Independent Directors shall obtain the prior consent of half of all Independent Directors before exercising the above authorities stated in item (1) to (3).

Article 17 Prior to the convening of a Board meeting of the Company. Independent Directors may communicate with the secretary of the Board to make enquiries, request for supplementary materials, and offer opinions and suggestions on the matters to be considered. Senior management of the Company and other relevant personnel of the Company shall seriously study the questions, requests and opinions raised by the Independent Directors and shall be responsible for providing timely feedback to the Independent Directors on the revision of the motions.

Article 18 Independent Directors shall attend Board meetings in person. If, for any reason, they are unable to attend the meeting in person, the Independent Directors shall review the materials of the meeting in advance, form a clear opinion and appoint in writing for other Independent Directors to attend the meeting on their behalf.

Independent Director who fails to attend two consecutive Board meetings in person and does not appoint another Independent Director to attend on his/her behalf, the Board shall propose to convene a general meeting to remove him/her from his/her position as an Independent Director within thirty days from the date of occurrence of such fact.

Article 19 Where an Independent Director votes against or abstains from voting on a resolution of a Board meeting, he/she shall state the specific reasons and basis thereof, the legality and compliance of the matter involved in the resolution, the risks that may exist and the impact on the interests of the Company and the small and medium shareholders or other reasons. The Company shall disclose the dissenting opinion of the Independent Directors at the same time as the disclosure of the Board resolutions, and shall set out the dissenting opinion in the Board resolutions and minutes of the meetings.

Article 20 The Independent Directors shall pay continuous attention to the implementation of the resolutions of the Board of the Company and shall report to the Board in a timely manner if they find any violation of the laws, administrative regulations, CSRC regulations, the business rules of the stock exchanges and the provisions of the Articles of Association or any violation of the resolutions of the general meeting and the Board meeting, and may request the Company to provide a written explanation.

Article 21 The following matters shall be submitted to the Board for consideration after being approved by a majority of all Independent Directors of the Company:

- (1) Disclosable connected party transactions;
- (2) Plans for the Company and related parties to change or waive commitments;
- (3) Decisions made and measures taken by the Board of the Company in relation to acquisitions;
- (4) Other matters as stipulated by the laws, administrative regulations, CSRC regulations and the Articles of Association.

If the Company fails to give an explanation or make a timely disclosure in accordance with the provisions mentioned above, the Independent Directors may report the failure to the CSRC and the stock exchanges.

Article 22 The Company shall regularly or irregularly convene meetings attended by all Independent Directors (hereinafter referred to as Special Meeting of Independent Directors) to study and discuss matters relating to the operation of the Company. Matters listed in Article 16(1) to (3) and Article 21 of the Rules shall be considered at the Special Meeting of Independent Directors.

The Special Meeting of Independent Directors shall be convened and chaired by an Independent Director jointly elected by more than half of the Independent Directors; in the event that the convenor is not performing his/her duties or is unable to perform his/her duties, two or more Independent Directors may convene their own meeting and elect a representative to chair the meeting.

Minutes of Special Meetings of Independent Directors shall be prepared in accordance with the regulations, and the opinions of the Independent Directors shall be set out in the minutes. The Independent Directors shall sign to confirm the minutes.

Article 23 The Independent Directors of the Company shall perform their duties in accordance with the laws, administrative regulations, CSRC regulations, the business rules of the stock exchanges, the Articles of Association and the working rules of the specialized committees of the Board of the Company. Independent Directors shall attend the meetings of the specialized committees in person. 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 appoint other Independent Directors in writing to attend the meetings on their behalf. In discharging their duties, the Independent Directors may, in accordance with the procedures, submit to the specialized committee for discussion and consideration in a timely manner any material matters of the listed company within the scope of the duties of the specialized committee.

Article 24 The Independent Directors should spend not less than fifteen days a year on-site at the Company.

In addition to attending general meetings, Board meetings and their specialized committees meetings, and Special Meetings of Independent Directors in accordance with the requirements, the Independent Directors may perform their duties by various means, such as obtaining information on the Company's operations on a regular basis, receiving reports from management, communicating with intermediaries such as the person in charge of the internal audit organization and the accounting firm that undertakes the listed company's auditing business, conducting on-site inspections, and communicating with small and medium shareholders.

Independent Directors shall prepare work records to record in detail the performance of their duties. Information obtained by the Independent Directors in the course of performing their duties, minutes of relevant meetings, records of communications with staff of the Company and intermediaries, etc., shall form an integral part of the work records. With respect to the important contents of the work records, the Independent Directors may request the secretary of the Board and other relevant personnel to sign to confirm the same, and the Company and the relevant personnel shall cooperate with such request.

Work records of Independent Directors and information provided by the Company to Independent Directors should be kept for at least ten years.

Article 25 The Independent Directors shall submit an annual duty report to the annual general meeting of the Company to explain how they have performed their duties. The annual duty report shall include the following contents:

- (1) Number of Board meetings attended, manner of attendance and voting, and number of general meetings attended;
- (2) Participation in specialized Board committees and Special Meetings of Independent Directors;
- (3) Performance of the Independent Directors' prior considerations as stipulated in Article 21 of the Rules, performance of duties by the Audit Committee of the Board, the Nomination Committee of the Board and the Remuneration Committee of the Board of the Company, and exercise of the Independent Directors' specific authority as set out in Article 16 of the Rules;
- (4) Significant matters, manner and results of communication with the Company's internal audit organization and the accounting firm undertaking the Company's audit on the Company's financial and business conditions;
- (5) Communication with small and medium shareholders;
- (6) The time, content and other matters of on-site work;
- (7) Other circumstances in the performance of his/her duties.

CHAPTER 5 PERFORMANCE SECURITY FOR INDEPENDENT DIRECTORS

Article 26 The Company provides the necessary work support and assistance to the Independent Directors in the performance of their duties, and the matters of support and assistance include:

- (1) Regular notification and timely reports of the Company's operations, introduction of the development of markets and industries related to the Company, and provision of other relevant materials and information to ensure that the Independent Directors have equal right to know as the other Directors, and may organize site visits for the Independent Directors when necessary;
- (2) Provide the Independent Directors with access to disclosure newspapers in which the Company publishes public information or provide them with corresponding electronic information;
- (3) Cooperate with the Independent Directors in conducting investigations relating to the performance of their duties;
- (4) When the Independent Directors consider it necessary to convene a meeting attended only by the Independent Directors, the Independent Directors shall be provided with facilities such as meeting venues;
- (5) Actively cooperate with the Independent Directors in the investigation of relevant materials and provides the necessary support and facilitation to the Independent Directors in the performance of their duties by arranging site visits, organizing reporting by intermediaries and other facilitations;
- (6) Request relevant responsible officers of the Company to cooperate in signing and confirming the material matters relating to the performance of duties by the Independent Directors as set out in the Independent Directors' working notes;
- (7) Other facilitation and cooperation related to the performance of duties required to be provided by the listed company in the course of the Independent Directors' performance of their duties;

(8) Any necessary expenses incurred by the Independent Directors in engaging intermediaries and performing other duties and responsibilities shall be borne by the Company.

Article 27 The Company organizes Independent Directors to participate in the research and discussion sessions before the Board considers major and complicated matters as required, so as to fully listen to the views of the Independent Directors.

Article 28 If an Independent Director encounters obstruction in the exercise of his/her duties and authority in accordance with the laws, he/she may explain the situation to the Board, request cooperation from the Directors, senior management and other relevant personnel, and record the specific circumstances of the obstruction and the resolution of the situation in his/her work record.

Where the performance of duties by an Independent Director involves information that should be disclosed, the Company shall process the disclosure in a timely manner; where the Company does not disclose such information, the Independent Director may directly apply for disclosure.

Article 29 The Company organizes annual training for Independent Directors on securities laws and regulations and rules of the CSRC, stock exchanges and the Association of Listed Companies in China, so as to continuously improve the ability of Independent Directors to perform their duties.

Article 30 The Company shall offer proper allowances to Independent Directors. The allowance standards shall be proposed by the Board and approved by the general meeting after consideration, which shall be disclosed in the annual report of the Company.

In addition to the said allowances, Independent Directors shall not receive any other advantages from the Company, its substantial shareholders or stakeholders, whether entities or individuals.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 31 Definition of the following terms in the Rules:

- (1) Substantial shareholders refer to shareholders who own more than five percent of the Company's shares or less than five percent of the company's shares but have significant influence over the Company;
- (2) Small and medium shareholders refer to shareholders who individually or collectively hold less than five percent of the Company's shares and do not serve as Directors, supervisors or senior management of the Company;
- (3) Subsidiary refer to enterprises that are directly or indirectly controlled by the relevant entities;
- (4) Major social relations refer to siblings, spouses of siblings, parents of spouses, siblings of spouses, spouses of children, parents of children's spouses, and so on;
- (5) Material business transactions refer to matters required to be submitted to the general meeting for consideration in accordance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange or the Articles of Association or other material matters as recognized by the Shanghai Stock Exchange.

Article 32 Matters not covered in the Rules shall be implemented in accordance with relevant state laws, regulations and the Articles of Association. In the event of any conflict between the Rules and the laws, regulations and rules to be promulgated by the relevant state departments or authorities, the laws, regulations and rules to be promulgated by the relevant state departments or authorities shall prevail, and the Rules shall be amended by the Board in a timely manner.

Article 33 These Rules shall be subject to the interpretation and amendment of the Board of the Company.

Article 34 These Rules shall be implemented from the date of approval by the general meeting of the Company.

* *For identification purposes only*