



## CHINA ISOTOPE & RADIATION CORPORATION

### 中國同輻股份有限公司

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

**(Stock Code: 1763)**

## China Isotope & Radiation Corporation The Rules of Procedure for the Board

### CHAPTER 1 GENERAL RULES

**Article 1** In order to ensure the Board of Directors of China Isotope & Radiation Corporation (hereinafter referred to as “CIRC” or the “Company”) to exercise the power independently, standardly and effectively, ensure the efficient and standardized operation and scientific decision-making of the Board of Directors, and optimize the corporate governance structure, the Company has formulated these rules in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the “Company Law”), the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (hereinafter referred to as the “Special Provisions”), the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”) and relevant laws, regulations, regulatory documents as well as the Articles of Association of China Isotope & Radiation Corporation (hereinafter referred to as the “Articles of Association”) and based on the actual situation of CIRC.

**Article 2** CIRC shall establish the Board of Directors, which shall be accountable to the general meeting.

The meeting of the Board of Directors is the major method of discussion of the Board of Directors. Attendance at meetings of the Board of Directors is the basic performance of duties and powers by a director.

### CHAPTER 2 COMPOSITION AND POWERS OF THE BOARD OF DIRECTORS

#### Section 1 The Board of Directors

**Article 3** CIRC shall establish the Board of Directors, which shall comprise eleven (11) directors, whose term of office shall be three (3) years, subject to re-election. Among them, the number of independent non-executive directors shall not be less than four (4), and one shall be employee representative director. The directors do not need to hold the shares of the Company.

The independent non-executive directors shall be identified in all corporate communications that disclose the names of directors. The Company shall maintain on its website an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.

Every newly appointed director of the Company shall receive a comprehensive, formal and tailored induction on appointment. Subsequently he/she shall receive any briefing and professional development necessary to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of his/her responsibilities under statute and common law, the Hong Kong Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Each director shall disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved shall also be disclosed. The Board of Directors shall determine for itself how frequently this disclosure shall be made.

All directors shall participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board of Directors remains informed and relevant. The Company shall be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

**Article 4** The directors who are not employee representative directors shall be elected, changed or removed by the shareholders' general meeting. The employee representative directors shall be elected, changed or removed democratically by the employee meeting.

At a shareholders' general meeting, the approach and procedures for nomination of candidates for directors (excluding employee representative directors) are as follows:

(I) Shareholder(s) severally or jointly holding more than 3% of the shares of the Company may, by way of a written proposal, put forward to the shareholders' general meeting the candidates for directors. However, the number of candidates proposed shall comply with the provisions of the Articles of Association, and shall not be more than the number to be elected;

(II) Within the number of persons as specified by the Articles of Association and based on the proposed number of candidates to be elected, the directors may propose a list of candidates for directors, which shall be submitted to the Board of Directors for examination. After the list of candidates for directors is determined upon examination and by resolution of the Board of Directors, the list shall be proposed at a shareholders' general meeting by way of a written proposal;

(III) The notice on the intention of nominating a director candidate and on the nominee's willingness to accept the nomination, and the written materials for the details of the nominee shall be given to the Company no less than seven (7) days prior to the date of convening the shareholders' general meeting;

(IV) The Company shall provide to the shareholders the detailed information of the candidates for shareholder representative directors at least seven (7) days prior to the shareholders' general meeting to ensure the shareholders have informed knowledge of the candidates when voting;

(V) The shareholders' general meeting shall review and vote on the election of the director candidates one by one;

(VI) In the case of any ad hoc addition to or change in any director in need, the Board of Directors shall propose at the shareholders' general meeting for the election or replacement of a director.

**Article 5** The term of office of directors commences from the date of appointment up to the expiry of the current term of office of the Board of Directors.

Any person who fills the casual vacancy on, or as an addition to the Board of Directors shall be subject to election by shareholders at the first general meeting or election by employees at the first employee meeting after the appointment, and his term of office shall expire at the end of the term of the current session of the Board of Directors.

If the term of office of a director expires but reelection is not made responsively, the said director shall continue fulfilling the duties as a director pursuant to laws, regulations, normative documents and the Articles of Association until a new director is elected.

**Article 6** A director, before his/her term of office expires, shall not be dismissed by the shareholders' general meeting/the employee meeting without any reason. However, the shareholders' general meeting/the employee meeting may remove any director before the expiration of his term of office by way of an ordinary resolution subject to relevant laws and administrative regulations (except that the claim for damages in accordance with any contract is not affected). An employee representative director shall be removed by a motion made jointly by more than one-third of the employees.

**Article 7** A director may resign before the expiration of his/her term of office. The resigning director shall submit a written resignation to the Board of Directors.

If the total number of directors on the Board of Directors falls below two-thirds of the number of the Board of Directors or the minimum number required by laws due to the failure to promptly re-elect a director upon the expiry of his/her term of office or due to the resignation of a director, such director shall continue to perform his/her duties as a director according to laws, rules, normative regulations, and the Articles of Association until the re-elected director takes office. The resignation report of such director shall not become effective until such vacancy resulting from such resignation is filled up by a new director.

Save as otherwise requirements under the Articles of Association and these rules, a director's resignation shall be effective when his/her resignation is served to the Board of Directors.

**Article 8** The Board of Directors consists of the Audit and Risk Management Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Strategy Committee and the Legal Affairs Committee. If needed, the Board of Directors can set up other special committees and adjust the existing committees. Each special committee of the Board of Directors is accountable to the Board of Directors, and assists the Board of Directors to perform its duties according to the authorisation of the Board of Directors and provides professional advice to the Board of Directors or makes decisions for special matters.

**Article 9** The Board of Directors shall have an office under its leadership, which shall be responsible for preparing for shareholders' general meetings and meetings of the Board, relevant documents, taking minutes of such meetings, information disclosure, managing investor relations and other routine work of the Board of Directors.

The persons employed to work in the office of the Board of Directors shall have the relevant professional knowledge so as to sufficiently ensure their assistance to the Board of Directors in carrying out its duties.

**Article 10** The Board of Directors shall exercise the following functions and powers:

- (I) To convene and report to the shareholders' general meeting;
- (II) To implement the resolutions adopted at shareholders' general meetings;
- (III) To decide on the Company's business plans, investment plans and strategic planning for development;
- (IV) To formulate the Company's annual financial budgets and final accounts;
- (V) To formulate the Company's proposal on profit distribution and plan for recovery of losses;
- (VI) To formulate proposals for increases or reduction of the Company's registered capital and proposals for the issue of corporate bonds;
- (VII) To formulate plans for repurchase of the Company's shares, or merger, division, dissolution, or change of corporate formation of the Company;
- (VIII) To appoint or dismiss the Company's general manager and decide on the matters relating to his/her remuneration, and to decide on the appointment or dismissal of senior management officer such as deputy general manager, chief accountant and chief engineer pursuant to the nomination of the general manager and decide on the appointment or dismissal of the secretary to the Board of Directors pursuant to the nomination of the Chairman of the Board of Directors;
- (IX) To decide on the matters relating to the remuneration of the aforesaid senior management officers;
- (X) To formulate the Company's basic management system;
- (XI) To formulate proposals for amendment to the Articles of Association;
- (XII) To decide on the setup of internal management institutions of the Company;
- (XIII) To decide on the setup and adjustment of the special committees of the Board of Directors;
- (XIV) Matters such as investments, acquisitions or disposals of assets, financing and connected transactions that require decisions to be made by the Board of Directors in accordance with the Hong Kong Listing Rules;
- (XV) To evaluate and determine the nature and degree of risk acceptable for the Company in achieving the strategic target, to ensure that the Company establishes and maintains an appropriate and effective risk management and internal monitoring system, to continuously supervise this system, and to ensure that check is conducted at least once a year, on whether the system of the Company and its subsidiaries is effective;

(XVI) To decide on other major affairs of the Company, save for matters required to be resolved at the shareholders' general meeting as specified under the Company Law and the Articles of Association;

(XVII) To exercise other functions and powers conferred by the laws, regulations, the provisions of the Articles of Association, the Hong Kong Listing Rules and the shareholders' general meetings.

The aforesaid matters within the scope of duties of the Board of Directors shall be decided by the Board of Directors. In necessary, reasonable and legal cases, these matters can be decided by the Chairman of the Board of Directors or the general manager with the authorisation of the Board of Directors. If the matters of authorization belonging to those that shall be passed by more than half of all directors as stipulated in the Articles of Association, such authorisation shall be passed by more than half of all directors. If the matters of authorisation belonging to those that shall be passed by more than two-thirds of all directors as stipulated in the Articles of Association, such authorisation shall be passed by more than two-thirds of all directors.

The authorisation of the Board of Directors shall be specific and concrete, with major terms and conditions stipulated in writing.

**Article 11** Non-executive directors exercise the following powers:

(I) participating in the meetings of the Board to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(II) taking the lead where potential conflicts of interests arise;

(III) serving on the Audit and Risk Management Committee, Remuneration and Appraisal Committee, Nomination Committee, Strategy Committee, Legal Affairs Committee and other governance committees, if invited; and

(IV) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Independent non-executive directors and other non-executive directors should also attend shareholders' general meetings and develop a balanced understanding of the views of shareholders. Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

**Article 12** The Board of Directors ensures that the risk management and internal control systems of the Company and its subsidiaries are reviewed at least annually. The review should cover all important control aspects, including financial control, operational control and compliance control.

The Board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Board's annual review should, in particular, consider:

(I) the changes, since the last annual review, in the nature and extent of significant risks, and the ability of the Company to respond to changes in its business and the external environment;

(II) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and (where applicable), the work of its internal audit function and other assurance providers;

(III) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)), which enables it to assess control of the Company and the effectiveness of risk management;

(IV) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the financial performance or condition of the Company; and

(V) the effectiveness of the processes of the Company for financial reporting and the compliance with the Hong Kong Listing Rules.

**Article 13** The Board of Directors shall not, without the approval of the shareholders' general meeting, dispose of or agree to dispose of any fixed assets of the Company where the expected amount or value of the fixed assets proposed for disposal, and the amount or value of the consideration for any such disposal of any fixed assets that has been completed within four (4) months before the proposed disposal, exceed 33% of the value of the Company's fixed assets as shown in the last balance sheet tabled before the shareholders' general meeting.

For the purpose of this Article, the term "disposal of fixed assets" includes an act involving the transfer of an interest in certain assets, but does not include the provision of guarantees with fixed assets.

The validity of a transaction for disposal of fixed assets by the Company shall not be affected by breach of the first paragraph of this Article.

**Article 14** At the shareholders' general meeting, the Board of Directors should report to the shareholders' general meeting on the work they have undertaken over the past year.

**Article 15** The Board of Directors shall carefully consider the opinions of external auditors in performing its duties and may seek advice from external firms or professionals at the cost of the Company.

## Section 2 Independent Non-executive Director

**Article 16** CIRC establishes an independent non-executive director system. CIRC independent non-executive directors refer to directors who do not hold any positions other than directors in CIRC and have no relationship with CIRC and its shareholders that may affect their independent and objective judgment. There should be more than one-third of independent non-executive directors on the Board of directors of CIRC, and the total number should not be less than four, including at least one financial management or accounting professional (accounting professional means a senior professional title or a certified public accountant qualified persons) and meet the requirements of Rule 3.10(2) of the Hong Kong Listing Rules. Independent non-executive directors have the obligation of integrity and diligence to the Company and all shareholders. Independent non-executive directors should perform their duties conscientiously in accordance with the requirements of relevant laws and regulations, the Hong Kong Listing Rules and the Articles of Association, ensure the overall interests of the Company, and pay particular attention to the legitimate rights and interests of minority shareholders.

**Article 17** Independent non-executive directors shall possess high professional quality and good credit as well as meet the following requirements:

(I) Being qualified as the director of a listed company according to the laws and regulations, normative documents as well as the rules of the securities regulatory authority of the place where the Company stocks are listed;

(II) Independently performing their duties, without being influenced by shareholders, de facto controllers of the Company or other entities or individuals who are interested in the Company;

(III) Ensuring enough time and energy to effectively perform their duties, and promising to duly perform duty of loyalty and diligence.

**Article 18** The independent non-executive director shall have his own independence and the following persons may not serve as independent non-executive directors:

(I) the director (or his/her immediate family members) who holds more than 1% of the total issued share capital of the Company;

(II) Such director (or his/her immediate family members) has obtained any equity interest in the Company from the core related person or the Company itself through gifts or other financial assistance. However, without prejudice to this clause (1), if the director receives shares or securities interests from the Company or its subsidiaries (but not from a core connected person), as part of the director's fee, or received based on the option scheme set out in Chapter 17 of the Hong Kong Listing Rules, the director shall still be regarded as an independent director;

(III) Such director (or his/her immediate family members) is the director, partner or principal of professional consultants who is providing services to the following company/people or did so within two years before being appointed, or is an employee of the professional consultants who provide or provided the relevant services:

(i) the Company, its holding company or any of their respective affiliates or core connected persons; or

(ii) the person who once held any position or title at the controlling shareholder of the Company within two years prior to being appointed as an independent director, such director was once the chief executive officer or person of the Company (other than an independent director) or any of his close contacts;

(IV) Such director (or his/her immediate family members) currently or within one year before the proposed appointment of an independent director did not have a material interest in any principal business activity of or is or was involved in any material business dealings with the Company, its holding company or their respective subsidiaries or with any core connected persons of the Company;

(V) Such director serves as a director in order to protect a certain entity whose interest is different from the interests of shareholders as a whole;

(VI) Within two years prior to being proposed to be an independent director, such director (or his/her immediate family members) was connected with the director, chief executive officer or major shareholders of the Company;

(VII) Such director (or his/her immediate family members) is (or once was within two years prior to being proposed director) an executive or a director (save for an independent non-executive director) of the Company, its holding company or any of their respective affiliates or any core connected persons of the Company;

(VIII) Such director (or his/her immediate family members) is financially dependent on the Company, its holding companies or any of their respective affiliates or the core connected persons of the Company; and

(IX) Other person identified by laws, regulations, securities regulatory agencies and other relevant regulatory agencies where the Company's shares are listed.

The immediate family members mentioned above refer to spouses; their (or their spouses) children under the age of 18 (natural or adopted) or stepchildren; the above-mentioned core related persons refer to the directors, supervisors, chief executives or major shareholders of the Company or its subsidiaries, or any close contact of any such person; the above close contact means:

(I) For any individual, it refers to:

(i) their spouses;

(ii) children or step-child (natural or adopted) of the person or his/her spouse under the age of 18 (collectively referred to as "family rights and interests" with (I)(i) above);



(iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is a discretionary object;

(iv) any company in the equity capital of which he, his family interests, any of the trustees referred to in (I) (iii) above, acting in their capacity as such trustees, directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the Board and any other company which is its subsidiary; and

(v) any company with which or individual with whom he, his family interests, and/or any of the trustees referred to in (I) (iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture under PRC laws where he, his family interests, and/or any of the trustees referred to in (I) (iii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture; and

(II) in relation to a company means:

(i) its subsidiary or a holding company or a subsidiary of any such holding company;

(ii) the trustees, acting in their capacity as such trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object; and

(iii) any other company in the equity capital of which the company, its subsidiary or a holding company or a subsidiary of any such holding company, and/or any of the trustees referred to in (II) (ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the Board of Directors and any other company which is its subsidiary; and

(iv) any other company with which or any individual with whom the company, its subsidiary or holding company or a subsidiary of any such holding company, and/or any of the trustees referred to in (II) (ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture under the PRC law where it, its subsidiary or holding company or a subsidiary of any such holding company, and/or any of the trustees referred to in (II) (ii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture.

**Article 19** The term of an independent non-executive director is the same as the term of the other directors of the Company. When the term expires, the independent non-executive director can be re-elected, but the duration of re-election shall comply with the provisions of laws, administrative regulations and the listing rules of the Company's shares listing place.

**Article 20** An independent non-executive director may resign before expiry of his/her term of office. Unless otherwise specified in the Articles of Association, an independent non-executive director's resignation shall become effective on the date when his/her resignation is served to the Board.

An independent non-executive director who intends to resign shall submit a written resignation to the Board of Directors and shall submit a written declaration at the most recent shareholders' general meeting specifying any circumstances related to the resignation or any fact that he/she believes requires the attention of the shareholders and creditors.

If the resignation of an independent non-executive director causes the number of independent non-executive directors to fall below the quorum or the minimum number required by laws, administrative regulations, departmental rules and regulatory documents or the Articles of Association, the resignation of such independent non-executive director shall only become effective when their successor has been elected to fill their vacancy.

**Article 21** The followings are considered as major dereliction of duties by independent non-executive directors:

(I) leaking of the Company's confidential commercial information, resulting in damage to the Company's legal interests;

(II) accepting illicit benefits during the course of performance of duties, or seeking personal profits by taking advantage of his/her position as an Independent Director;

(III) refraining from raising objections to Board Resolutions that, within his/her knowledge, violate the laws, administrative regulations or the Company's Articles of Association;

(IV) where connected transactions result in major losses to the Company, the Independent Director has not exercised his/her veto power;

(V) other acts identified to be serious dereliction of duty by the relevant regulatory authority.

**Article 22** Under any of the following circumstances, the Board of Directors and the Board of Supervisors may propose to the shareholders' general meeting to remove the relevant independent non-executive directors:

(I) serious failure in performing his/her duties;

(II) failure to file resignation himself when he/she does not meet the qualifications for independent non-executive directors;

(III) failure to attend in person the meetings of the Board of Directors for three consecutive times or failure to attend in person the meetings of the Board of Directors for two consecutive times without entrusting any other Director to attend such meetings as his/her proxy, or failure to attend in person no less than two-thirds of the meetings of the Board of Directors convened during a year;

(IV) other circumstances rendering the relevant person not suitable to continue to serve as independent non-executive Directors as stipulated by laws, administrative regulations and rules.

### **Section 3 Chairman of the Board of Directors**

**Article 23** The Board shall have one (1) Chairman and may have one (1) Vice Chairman. The Chairman and Vice Chairman shall be elected or dismissed by more than half of all directors. Unless the Board of Directors removes the chairmanship in advance or he/she ceases to serve as a director of the Company, the terms of Chairman and Vice Chairman are three years and subject to re-election.

**Article 24** The Chairman of the Board of Directors shall exercise the following functions and powers:

- (I) to preside over the shareholders' general meetings, and to convene and preside over the meetings of the Board of Directors;
- (II) to supervise and inspect the implementation of resolutions of the Board of Directors;
- (III) to sign the securities issued by the Company;
- (IV) to exercise other functions and powers conferred by the Board of Directors.

The Vice Chairman shall assist the Chairman in his/her work.

**Article 25** The Chairman should ensure that the Board of Directors works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board of Directors in a timely manner. The Chairman should be primarily responsible for drawing up and approving the agenda for each the meetings of the Board of Directors taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda.

The Chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board of Directors as a whole.

The Chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.

### **Section 4 Board Committees**

**Article 26** The Board of Directors should give Board Committees sufficiently clear terms of reference to enable them to perform their functions properly. The terms of reference of Board Committees should require such committees to report back to the Board of Directors on their decisions or recommendations, unless otherwise prohibited by laws or regulatory restrictions.

**Article 27** The Audit and Risk Management Committee shall be composed of no less than three directors and shall consist of only non-executive directors, of which independent non-executive directors shall be the majority, and at least one independent non-executive director shall have appropriate professional qualifications or appropriate accounting or relevant financial management expertise. Committee members are nominated by the Chairman of the Board of Directors, elected by the Board of Directors and approved by more than half of all directors. The committee shall have a chairman, who shall be an independent non-executive director. The chairman is nominated by the Chairman of the Board of Directors and approved by the Board of Directors.

**Article 28** The Audit and Risk Management Committee is mainly responsible for the communication, supervision and verification of internal and external audits and the Company's risk management.

**Article 29** The Nomination Committee is composed of no less than three directors, and independent non-executive directors should be the majority. Committee members are nominated by the Chairman of the Board of Directors and elected by the Board of Directors and are approved by more than half of all directors. The Committee shall have a chairman, who shall also be the Chairman of the Board of Directors or independent non-executive director. The chairman is nominated by the Chairman of the Board of Directors and approved by the Board of Directors.

**Article 30** The Nomination Committee is mainly responsible for formulating the selection, selection criteria and procedures of directors and senior management, independent non-executive directors' independent assessment, selection and giving recommendations.

The Company should provide sufficient resources to the Nomination Committee to perform its duties.

**Article 31** The Remuneration and Appraisal Committee is composed of no less than three directors, and independent non-executive directors should account for the majority. Committee members are nominated by the Chairman of the Board of Directors and elected by the Board of Directors and are approved by more than half of all directors. The committee shall have a chairman, who shall be an independent non-executive director. The chairman is nominated by the Chairman of the Board of Directors and approved by the Board of Directors.

**Article 32** The Remuneration and Appraisal Committee is mainly responsible for formulating and evaluating the evaluation standards of Company directors and senior management personnel; responsible for formulating and reviewing the remuneration policies and plans of Company directors and senior management personnel.

**Article 33** The Strategy Committee shall consist of no less than three directors. The committee members are nominated by the Chairman of the Board of Directors, elected by the Board of Directors and approved by more than half of all directors. The Committee has a chairman. The chairman is nominated by the Chairman of the Board of Directors and reviewed and approved by the Board of Directors.

**Article 34** The Strategy Committee is mainly responsible for exploring and formulating the Company's development strategy and planning.

**Article 35** The Legal Affairs Committee is composed of no less than three directors. The committee members are nominated by the Chairman of the Board of Directors, elected by the Board of Directors and approved by more than half of all directors. The Committee has a chairman, which is nominated by the Chairman of the Board of Directors and reviewed and approved by the Board of Directors.

**Article 36** The Legal Affairs Committee is mainly responsible for promoting the construction of the Company's rule of law, studying and formulating implementation plans for the Company's rule of law, promoting the construction of a legal compliance management system, and supervising and evaluating the Company's legal compliance management.

**Article 37** After the establishment of board committees, the Board of Directors shall formulate the rules and duties of each board committee. Each board committee shall formulate an annual work plan and convene meetings as necessary.

## **Section 5 Board Secretary**

**Article 38** The Company shall have a secretary to the Board of Directors, who shall be nominated by the Chairman of the Board of Directors and appointed and dismissed by the Board of Directors.

The secretary to the Board of Directors should be a natural person with the necessary professional knowledge and experience. The board secretary is a senior management member of the Company. The board secretary shall be accountable and report to the Board of Directors.

**Article 39** The main responsibilities of the secretary to the Board of Directors are:

(I) To ensure that the Company has a complete set of organization documents and records; to keep and manage the information on the shareholders; and to assist the directors in addressing the routine tasks of the Board of Directors;

(II) To act as the liaison between the Company and the securities regulatory authorities, to be responsible for organizing the preparation and prompt submission of the reports and documents required by the regulatory authorities, and for accepting and organizing the implementation of any assignment from the regulatory authorities;

(III) To make preparations for the meetings of the Board of Directors and the shareholders' general meetings, and to take and keep the minutes;

(IV) To ensure the proper maintenance of the Company's register of shareholders, so as to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;

(V) To be responsible for coordinating and organizing the Company's disclosure of information, establish and improve the information disclosure system, participate in all of the Company's meetings involving the disclosure of information, and keep informed of the Company's material operation decisions and related information in a timely manner.

**Article 40** Directors or senior management officers of the Company may concurrently act as the secretary to the Board of Directors. The accountants of the accounting firm which has been appointed by the Company shall not concurrently act as the secretary to the Board of Directors.

If a director concurrently serves as the secretary to the Board of Directors, in the event that an action must be carried out by a director and a secretary to the Board of Directors respectively, the person who holds the offices of director and secretary to the Board of Directors shall not act in dual identity.

## CHAPTER 3 THE PROCEDURES FOR THE MEETINGS OF THE BOARD

### Section 1 Convene

**Article 41** The meetings of the Board of Directors shall be divided into regular meetings of the Board of Directors and extraordinary meetings of the Board of Directors. The Board of Directors shall notify the supervisors to attend the meetings of the Board of Directors as non-voting delegates.

**Article 42** Regular meetings of the Board of Directors shall be held at least four (4) times each year and convened by the Chairman of the Board of Directors. The written notice of meeting shall be sent to all the directors fourteen (14) days before the date of the meeting. The approval of directors for the regular meetings of the Board of Directors shall not be obtained through the adoption of written resolutions.

**Article 43** The Chairman of the Board of Directors shall convene an extraordinary meeting of the Board of Directors within ten (10) days after receiving the proposal under the following circumstances:

- (I) When proposed by shareholders holding more than one-tenth of the voting shares;
- (II) When proposed by the Chairman of the Board of Directors;
- (III) When proposed by more than one-third of the directors;
- (IV) When proposed by more than two (2) independent non-executive directors;
- (V) When proposed by the Board of Supervisors;
- (VI) When proposed by the general manager.

**Article 44** Where the meetings of the Board is convened by the Chairman of the Board of Directors, the Chairman of the Board of Directors shall preside over the meeting. In the event that the Chairman of the Board of Directors is unable or fails to perform his/her duties, the Vice Chairman of the Board of Directors shall preside over the meeting. In the event that the Vice Chairman of the Board of Directors is unable or fails to perform his/her duties, half or more of the directors shall designate a director to preside over the meeting.

Upon the expiry of the term of office of the directors and the re-election of the new directors at the general meeting, the directors who obtains the greatest number of votes at such re-election (if more than one, one shall be chosen amongst them) shall preside over the meeting of the Board of Directors, at which the Chairman the Board of Directors shall be elected.

**Article 45** Except as otherwise provided in these rules, the meeting of the Board may be held by onsite meeting or by way of correspondence. For the convenience of the directors, onsite meetings may be held by telephone, video or others means, and directors present at the meetings by such means shall be deemed to attend the meeting in person.

For the meeting of the Board held by telephone or video, the number of directors who are confirmed to be present during the telephone conference and the directors who are present on the video display shall be counted. For the meeting of the Board held by written signature, the number of directors present at the meeting shall be counted by the effective votes received during the prescribed time limit.

## **Section 2 Proposals and Notice**

**Article 46** The following persons or parties may submit proposals to the Board of Directors:

- (I) Shareholders who individually or jointly hold more than ten percent of the Company's voting shares;
- (II) the Chairman;
- (III) More than one-third of directors;
- (IV) More than one-half (at least two) independent non-executive directors;
- (V) Board committees;
- (VI) General manager;
- (VII) Board of Supervisors.

**Article 47** The agenda of the regular the meetings of the Board and relevant meeting documents should be all served on the Board in time to ensure that all directors have the opportunity to put forward matters for discussion to be included in the agenda of the regular meetings of the Board of Directors. The secretary to the Board of Directors is responsible for collecting drafts of the matters discussed at the meeting, and the proposers of the relevant proposals shall submit the proposals and related explanatory materials fifteen (15) days before the meeting. After sorting out the relevant materials, the secretary to the Board of Directors lists the meeting place, time and agenda of the Board of Directors and presents it to the Chairman.

**Article 48** Notice shall be given to all the directors, supervisors and the general manager within a reasonable period prior to an extraordinary meeting of the Board of Directors. The office of the Board of Directors shall serve written notice of the meeting to all the directors, supervisors and the general manager by hand, fax, express mail service or other means of electronic communication. Notices that are not served by hand shall be confirmed by telephone and record shall be made accordingly.

In an emergency and an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of meeting may be given by telephone or by other verbal means at any time, but the convener shall provide an explanation at the meeting.

**Article 49** The content of the meeting notice generally includes:

- (I) date, place and way of meeting;
- (II) duration;

- (III) cause and issues;
- (IV) convener and chairman of the meeting;
- (V) date of notice;
- (VI) contact person and contact method.

**Article 50** After receiving the notice of the meeting, each person should inform the secretary to the Board of Directors whether to participate in the meeting as soon as possible.

Directors who have attended the meeting and have not filed an objection that they have not received the meeting notice before or during the meeting shall be deemed to have been given the notice of the meeting.

**Article 51** From the publication of the meeting notice to the holding of the meeting, the Secretary to the Board shall be responsible for or arrange for the communication and liaison with all directors, especially independent non-executive directors, to obtain their opinions or suggestions on relevant proposals and convey these opinions or suggestions to related proposers for their improvement of proposals in a timely manner. The Secretary to the Board shall also timely supplement the materials necessary for directors to make decisions on proposals, including relevant background materials on the items of the meeting and other materials that help directors make reasonable, rapid and prudent decisions.

When more than a quarter of the directors or more than two independent non-executive directors believe that the meetings of the Board is inadequate or the argument is unclear and affects the meetings of the Board, an extension of the meetings of the Board can be proposed to the board of directors two days before the meeting in writing.

**Article 52** The Chairman of the Board of Directors shall ensure that all directors at the meetings of the Board are properly informed of current issues, and be responsible for ensuring that directors receive sufficient information in a timely manner, and the relevant information must also be accurate, clear, complete and reliable.

### **Section 3 Attendance of the Meeting**

**Article 53** The meetings of the Board shall not be held until more than half of the directors (including entrusting other directors to represent the directors present) are present. With respect to the proposal to be discussed in which some directors have substantial interest, the meetings of the Board shall not be held until more than half of the directors without substantial interest therein are present.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by convening a physical meeting of the Board rather than a written resolution. Independent non-executive director who, and whose close associates, have no material interest in the transaction should be present at that the meeting of the Board.



**Article 54** A director shall attend the meetings of the Board of Directors in person. If a director is not able to attend the meeting for any reason, he/she may appoint in writing other directors to attend the meeting on his/her behalf. The director attending the meeting on other's behalf shall only exercise the rights of director within the scope of authorisation.

If a director fails to attend a meeting of the Board of Directors or appoint a representative to attend on his/her behalf, such director shall be deemed to have waived his/her right to vote at such meeting.

**Article 55** The power of attorney made by directors appointing others to attend the meetings of the Board on his/her behalf shall include the following details:

- (I) names of the director and the proxy;
- (II) brief comments of the director on each proposal;
- (III) scope of authorisation (including the right to vote on the interim proposal), instructions on voting in respect of each of the proposals;
- (IV) term of the appointment;
- (V) signature of the director and date, etc.

**Article 56** The appointment of proxy for a meeting of the Board shall comply with the followings:

(I) If connected transactions are to be considered, a director who has interest in the transactions shall not appoint or be appointed by another director as proxy to attend the meeting on his/her behalf;

(II) An independent non-executive director shall not appoint a non-independent director and shall not accept the appointment by a non-independent director to attend a meeting of the Board on his behalf;

(III) A director shall not appoint another director to attend a meeting of the Board without stating his opinions and voting instruction and the other director shall not accept such appointment;

(IV) A director shall not accept appointments by more than two directors. A director shall not appoint another director who has been appointed by two other directors to attend a meeting of the Board.

**Article 57** A director who fails to attend two consecutive meetings of the Board of Directors in person or by proxy shall be deemed as unable to perform his/her duties. The Board of Directors shall propose to the shareholders' general meeting/the employee meeting for removal of such director.

**Article 58** The non-director senior management personnel and personnel with regard to the topics shall attend the meeting as non-voting delegates as required. The non-voting delegates have the right to issue opinions about relevant topics but have not voting right.

## Section 4 Voting and Resolutions

**Article 59** Each director shall be entitled to one vote. In considering the resolutions proposed to the meetings of the Board, vote may be conducted by a show of hands or by open ballot. All attending directors are to vote for or against proposals or abstain from voting. If directors fail to vote, it shall be regarded as an abstention.

**Article 60** Voting on the resolutions at the extraordinary meeting of the Board of Directors may be conducted by way of communication.

Directors who cannot sign on the resolutions immediately at the meetings of the Board by telephone or video shall vote verbally. Resolutions of the extraordinary the meetings of the Board shall be effective from the date of the verbal vote, while directors shall complete the written signature of resolution as soon as possible. The verbal vote by a director shall have the same effect as the written signature, provided that there is no discrepancy between the opinions expressed by such director in completing the written signature and the opinions orally expressed by him at the meeting. If there is a discrepancy between the two, the opinions orally expressed shall prevail.

If voting on the resolutions of the extraordinary the meetings of the Board is conducted by written means, such resolutions shall be effective from the date of the written vote. The validity time limit of the vote by way of communication shall be the latest time provided in the notice of meeting. Directors who had not given any opinions before the end of the last business day within the prescribed time limit shall be deemed as waiving his right.

The office of the Board of Directors shall report to the Chairman of the Board of Directors immediately after the voting results of the meetings of the Board resolution have been reviewed by the secretary to the Board of Directors, and shall provide feedback to all directors.

**Article 61** The resolutions of the Board of Directors shall be passed by more than half of all directors, while the resolutions in respect to the following matters shall be passed by two-thirds or more of the directors by voting:

(I) To formulate proposals for increases or reduction of the Company's registered capital and proposals for the issue of corporate bonds;

(II) To formulate plans for repurchase of the Company's shares, or merger, division, dissolution, or change of corporate formation of the Company;

(III) To formulate proposals for amendment to the Articles of Association;

When the number of negative votes is equal to that of affirmative votes, the Chairman of the Board of Directors has the right to cast one more vote.

**Article 62** If a director has a connected relation with the matters to be discussed at the meeting of the Board of Directors, such director shall not exercise the voting right for himself or on behalf of another director when the Board of Directors considers that matter. Any resolution made by the Board of Directors shall be approved by more than half of the unaffiliated directors.

There should be a procedure agreed by the Board of Directors to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board of Directors should resolve to provide separate independent professional advice to directors to assist them to discharge their duties to the Company.

**Article 63** Minutes of the meetings of the Board are proof of the resolutions on matters discussed at the meeting. The Board of Directors shall keep minutes of resolutions on matters discussed at the meeting in detail. The attending directors or their authorised representatives and the recorder of meeting minutes shall sign the minutes of such meetings.

Directors shall be liable for the resolutions of the meetings of the Board. If the resolutions of the meetings of the Board violate the laws, regulations, normative documents, the Articles of Association or the resolution of shareholders' general meeting, and the Company suffers a loss as a result thereof, the directors participating in the resolutions are liable to the Company for the losses. However, directors may be exempted from such liability if it is verified that such director has stated his objection when voting and the same was recorded in the minutes.

**Article 64** Minutes of the meetings of the Board shall include the following contents:

- (I) date and place of the meeting and name of the convener;
- (II) names of the directors attending the meeting, names of the directors (proxies) appointed by other directors to attend the meetings of the Board, directors being absent and non-voting attendees of the meeting;
- (III) agenda of the meeting;
- (IV) key issues in directors' speech and doubts and dissenting opinions put forward by directors;
- (V) the method and results of voting on each resolution (the number of votes for, against and abstention shall be specified in the voting results);
- (VI) the opinions of supervisors being present; and
- (VII) other information necessary for record.

Minutes of the meetings of the Board shall be kept by a duly appointed secretary of the meeting permanently and shall be open for inspection at any reasonable time upon reasonable notice by any director.

## **CHAPTER 4 IMPLEMENTATION AND FEEDBACK OF RESOLUTIONS OF THE BOARD OF DIRECTORS**

**Article 65** The resolution of the Board shall be executed by the general manager or an executive determined by the resolution, and the execution results shall be reported to the Chairman of the Board of Directors. The secretary to the Board of Directors shall know the status of the execution of the resolution timely, and report the same to the Board of Directors.

The secretary to the Board of Directors shall truthfully communicate the opinion of the Chairman of the Board of Directors to relevant directors and other senior management officers of the Company.

**Article 66** The Chairman of the Board of Directors, general manager or relevant person shall report the status of the execution of the previous Board resolutions to the Board of Directors. Directors have the right to make inquires to the executive in this regard.

## **CHAPTER 5 SUPPLEMENTARY PROVISIONS**

**Article 67** Unless expressly specified, the terms used in these rules have the same meaning as those defined in the Articles of Association.

**Article 68** These rules shall be effective from the day when the Company issues overseas-listed foreign shares (H shares) and applies for listing on the main board of Hong Kong Exchanges and Clearing Limited after it is approved by the shareholders' general meeting.

**Article 69** Issues not covered in these rules or in conflict with laws, regulations, regulatory documents promulgated or amended from time to time after the effectiveness of these rules, shall subject to the laws, regulations, regulatory documents, relevant regulations of the securities regulatory authority where the shares of the Company are listed or the provisions of the Articles of Association.

**Article 70** Amendments to these rules after passed by more than half of the directors of the Board of Directors, shall be effective and in force upon being approved at the shareholders' general meeting by an ordinary resolution.

**Article 71** Except as otherwise provided in these rules and unambiguous according to the context, the terms "above" and "before" in these rules are inclusive of the stated figure, while "exceed" is not inclusive of the stated figure.

**Article 72** The power of interpretation of these rules shall be vested in the Board of Directors of CIRC.