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## Code of Corporate Governance for Listed Companies

### Preface

In accordance with the basic principles of the Company Law, the Securities Law and other relevant laws and regulations, as well as the commonly accepted standards in international corporate governance, the Code of Corporate Governance for Listed Companies (hereinafter referred to as “the Code”) is formulated to promote the establishment and improvement of modern enterprise system by listed companies, to standardize the operation of listed companies and to bring forward the healthy development of the securities market of our country.

The Code sets forth, among other things, the basic principles for corporate governance of listed companies in our country, the means for the protection of investors’ interests and rights, the basic behavior rules and moral standards for directors, supervisors, managers and other senior management members of listed companies.

The Code is applicable to all listed companies within the boundary of the People’s Republic of China. Listed companies shall act in the spirit of the Code in their efforts to improve corporate governance. Requirements of the Code shall be embodied when listed companies formulate or amend their articles of association or rules of governance. The Code is the major measuring standard for evaluating whether a listed company has a good corporate governance structure, and if major problems exist with the corporate governance structure of a listed company, the securities supervision and regulation authorities may instruct the company to make corrections in accordance with the Code.

## Chapter 1. Shareholders and Shareholders’ Meetings

### (1) Rights of Shareholders

1. As the owner of a company, the shareholders shall enjoy the legal rights stipulated by laws, administrative regulations and the company’s articles of association. A listed company shall establish a corporate governance structure sufficient for ensuring the full exercise of shareholders’ rights.

2. The corporate governance structure of a company shall ensure fair treatment toward all shareholders, especially minority shareholders. All shareholders are to enjoy equal rights and to bear the corresponding duties based on the shares they hold.

3. Shareholders shall have the right to know about and the right to participate in major matters of the company set forth in the laws, administrative regulations and articles of association. A listed company shall establish efficient channels of communication with its shareholders.

4. Shareholders shall have the right to protect their interests and rights through civil litigation or other legal means in accordance with laws and administrative regulations. In the event the resolutions of shareholders' meetings or the resolutions of the board of directors are in breach of laws and administrative regulations or infringe on shareholders' legal interests and rights, the shareholders shall have the right to initiate litigation to stop such breach or infringement. The directors, supervisors and managers of the company shall bear the liability of compensation in cases where they violate laws, administrative regulations or articles of association and cause damages to the company during the performance of their duties. Shareholders shall have the right to request the company to sue for such compensation in accordance with law.

## (2) Rules for Shareholders' Meetings

5. A listed company shall set out convening and voting procedures for shareholders' meetings in its articles of association, including rules governing such matters as notification, registration, review of proposals, voting, counting of votes, announcement of voting results, formulation of resolutions, recording of minutes and signatories, public announcement, etc.

6. The board of directors shall earnestly study and arrange the agenda for a shareholders' meeting. During a shareholders' meeting, each item on the agenda shall be given a reasonable amount of time for discussion.

7. A listed company shall state in its articles of association the principles for the shareholders' meeting to grant authorization to the board of directors. The content of such authorization shall be explicit and concrete.

8. Besides ensuring that shareholders' meetings proceed legally and effectively, a listed company shall make every effort, including fully utilizing modern information technology means, to increase the number of shareholders attending the shareholders' meetings. The time and location of the shareholders' meetings shall be set so as to allow the maximum number of

shareholders to participate.

9. The shareholders can either be present at the shareholders' meetings in person or they may appoint a proxy to vote on their behalf, and both means of voting possess the same legal effect.

10. The board of directors, independent directors and qualified shareholders of a listed company may solicit for the shareholders' right to vote in a shareholders' meeting. No payments shall be made to the shareholders for such solicitation, and sufficient information shall be provided to persons whose voting rights are being solicited.

11. Institutional investors shall play a role in the appointment of company directors, the compensation and supervision of management and major decision-making processes.

### (3) Related Party Transactions

12. Written agreements shall be entered into for related party transactions among a listed company and its related parties. Such agreements shall observe principles of equality, voluntariness, and making compensation for equal value. The contents of such agreements shall be specific and concrete. Matters such as the signing, amendment, termination and execution of such agreements shall be disclosed by the listed company in accordance with relevant regulations.

13. Efficient measures shall be adopted by a listed company to prevent its related parties from interfering with the operation of the company and damaging the company's interests by monopolizing purchase or sales channels. Related party transactions shall observe commercial principles. In principle, the prices for related party transactions shall not deviate from an independent third party's market price or charging standard. The company shall fully disclose the basis for pricing for related party transactions.

14. The assets of a listed company belong to the company. The company shall adopt efficient measures to prevent its shareholders and their affiliates from misappropriating or transferring the capital, assets or other resources of the company through various means. A listed company shall not provide financial guarantees for its shareholders or their related parties.

## Chapter 2. Listed Company and Its Controlling Shareholders

### (1) Behavior Rules for Controlling Shareholders

15. During the restructuring and reorganization of a company that plans to list, the controlling shareholders shall observe the principle of “first restructuring, then listing”, and shall emphasize the establishment of a reasonable shareholding structure that has checks and balances.

16. During the restructuring and reorganization of a company that plans to list, the controlling shareholders shall sever the company’s social functions and strip out non-operational assets. Non-operational institutions, welfare institutions and their facilities shall not be included in the listed company.

17. Controlling shareholders’ remaining enterprises or institutions that provide services for the major business of the listed company may be restructured into specialized companies in accordance with the principles of specialization and market practice, and may enter into relevant agreements with the listed company in accordance with commercial principles. Remaining enterprises engaged in other businesses shall increase their capability of independent development. Remaining enterprises not capable to continue operation shall exit the market, through such channels as bankruptcy, in accordance with relevant laws and regulations. Enterprises meeting certain requirements during restructuring may sever all their social functions and disperse surplus employees at one time and keep no remaining enterprises.

18. The controlling shareholders shall support the listed company to further reform labor, personnel and distribution systems, to transform operational and managerial mechanisms, and to establish such systems as: management selection through bidding and competition, with the chance for both promotion and demotion; employment of employees on the basis of competitive selection, with the chance for both employment and termination of employment; income distribution scheme that provides sufficient incentive, with the chance to both increase and decrease the remuneration; etc.

19. The controlling shareholders owe a duty of good faith toward the listed company and other shareholders. The controlling shareholders of a listed company shall strictly comply with laws and regulations while exercising their rights as investors, and shall be prevented from damaging the listed company’s or other shareholders’ legal rights and interests, through means such as assets restructuring, or from taking advantage of their privileged position to gain additional benefit.

20. The controlling shareholders shall nominate the candidates for directors and supervisors in strict compliance with the terms and procedures provided for by laws, regulations and the company’s articles of association. The nominated candidates shall possess certain relevant professional knowledge and the capability to make decisions or supervise. The resolutions

made by the shareholders' meetings electing personnel or the board of directors' resolutions appointing personnel shall not be subject to approval procedures by the controlling shareholders. The controlling shareholders are forbidden to appoint senior management personnel by circumventing the shareholders' meetings or the board of directors.

21. The important decisions of a listed company shall be made through a shareholders' meeting or board of directors' meeting in accordance with law. The controlling shareholders shall not directly or indirectly interfere with the company's decisions or business activities conducted in accordance with laws; nor shall they impair the listed company's or other shareholders' rights and interests.

## (2) Independence of Listed Company

22. A listed company shall be separated from its controlling shareholders in such aspects as personnel, assets and financial affairs, shall be independent in institution and business, shall practice independent business accounting, and shall independently bear risks and obligations.

23. The personnel of a listed company shall be independent from the controlling shareholders. The management, financial officers, sales officers and secretary of the board of directors of the listed company shall not take posts other than as a director in a controlling shareholder's entities. In the case where a member of a controlling shareholder's senior management concurrently holds the position of director of the listed company, such member shall ensure adequate time and energy to perform the work for the listed company.

24. The assets invested by a controlling shareholder in a listed company shall be independent, complete and with clear indication of ownership. Where controlling shareholders invest non-cash assets into a listed company, ownership transfer procedures shall be completed and explicit boundaries for such assets shall be clarified. The listed company shall independently register such assets, set up independent account for such assets, and carry out independent business accounting and management for such assets. The controlling shareholders shall not misappropriate or control such assets or interfere with the listed company's management of such assets.

25. A listed company shall establish sound financial and accounting management systems in accordance with laws and regulations and shall conduct independent business accounting. Controlling shareholders shall respect the financial independence of the company and shall not interfere with the financial and accounting activities of the company.

26. The board of directors, the supervisory committee and other internal offices of a listed company shall operate in an independent manner. There shall be no subordination relationship between, on the one hand, a listed company or its internal offices and, on the other hand, the company's controlling shareholders or their internal offices, and the latter shall not give plans or instructions concerning the listed company's business operation to the former, nor shall the latter interfere with the independent operation of the former in any other manner.

27. A listed company's business shall be completely independent from that of its controlling shareholders. Controlling shareholders and their subsidiaries shall not engage in the same or similar business as that of the listed company. Controlling shareholders shall adopt efficient measures to avoid horizontal competition with the listed company.

### Chapter 3. Directors and Board of Directors

#### (1) Election Procedures for Directors

28. A company shall establish a standardized and transparent procedure for director election in its articles of association, so as to ensure the openness, fairness, impartialness and independence of the election.

29. Detailed information regarding the candidates for directorship shall be disclosed prior to the convening of the shareholders' meeting to ensure adequate understanding of the candidates by the shareholders at the time of voting.

30. Candidates for directorship shall give written undertakings to accept their nomination, to warrant the truthfulness and completeness of the candidate's information that has been publicly disclosed and to promise to earnestly perform their duties once elected.

31. The election of directors shall fully reflect the opinions of minority shareholders. A cumulative voting system shall be earnestly advanced in shareholders' meetings for the election of directors. Listed companies that are more than 30% owned by controlling shareholders shall adopt a cumulative voting system, and the companies that do adopt such a system shall stipulate the implementing rules for such cumulative voting system in their articles of association.

32. Appointment agreements shall be entered into by a listed company and its directors to clarify such matters as the rights and obligations between the company and the director, the term of the directorship, the director's

liabilities in case of breach of laws, regulations or articles of association, and the compensation from the company in case of early termination of the appointment agreement for cause by the company.

## (2) The Duties and Responsibilities of Directors

33. Directors shall faithfully, honestly and diligently perform their duties for the best interests of the company and all the shareholders.

34. Directors shall ensure adequate time and energy for the performance of their duties.

35. Directors shall attend the board of directors meetings in a diligent and responsible manner, and shall express their clear opinions on the topics discussed. When unable to attend a board of directors meeting, a director may authorize another director in writing to vote on his behalf and the director who makes such authorization shall be responsible for the vote.

36. The board of directors shall abide by relevant laws, regulations, rules and the company's articles of association, and shall strictly fulfill the undertakings they made publicly.

37. Directors shall earnestly attend relevant trainings to learn about the rights, obligations and duties of a director, to familiarize themselves with relevant laws and regulations and to master relevant knowledge necessary for acting as directors.

38. In cases where the resolutions of board of directors violate laws or regulations or a listed company's articles of association and cause losses to the listed company, directors responsible for making such resolutions shall be liable for compensation, except those proved to have objected and the objections of whom have been recorded in the minutes.

39. After approval by the shareholders' meeting, a listed company may purchase liability insurance for directors. Such insurance shall not cover the liabilities arising in connection with directors' violation of laws, regulations or the company's articles of association.

## (3) Duties and Composition of the Board of Directors

40. The number of directors and the structure of the board of directors shall be in compliance with laws and regulations and shall ensure the effective discussion and efficient, timely and prudent decision-making process of the board of directors.

41. The board of directors shall possess proper professional background. The directors shall possess adequate knowledge, skills and qualities to perform their duties.

42. The board of directors shall be made accountable to shareholders. A listed company's corporate governance framework shall ensure that the board of directors can exercise its power in accordance with laws, administrative regulations and the company's articles of association.

43. The board of directors shall earnestly perform its duties as stipulated by laws, regulations and the company's articles of association, shall ensure that the company complies with laws, regulations and its articles of association, shall treat all the shareholders equally and shall be concerned with the interests of stakeholders.

#### (4) Rules and Procedure of the Board of Directors

44. A listed company shall formulate standardized rules of procedure for its board of directors in its articles of association to ensure the board of directors' efficient function and rational decisions.

45. The board of directors shall meet periodically and shall convene interim meetings in a timely manner when necessary. Each board of directors' meeting shall have a pre-decided agenda.

46. The meetings of the board of directors of a listed company shall be conducted in strict compliance with prescribed procedures. The board of directors shall send notice to all directors in advance, at the stipulated time, and shall provide sufficient materials, including relevant background materials for the items on the agenda and other information and data that may assist the directors in their understanding of the company's business development. When two or more independent directors deem the materials inadequate or unclear, they may jointly submit a written request to postpone the meeting or to postpone the discussion of the related matter, which shall be granted by the board of directors.

47. The minutes of the board of directors' meetings shall be complete and accurate. The secretary of the board of directors shall carefully organize the minutes and the records of discussed matters. Directors that have attended the meetings and the person who drafted the minutes shall sign the minutes. The minutes of the board of directors' meetings shall be properly maintained and stored as important records of the company, and may be used as an important basis for clarifying responsibilities of individual directors in the future.



48. In the case of authorization to the chairman of the board of directors to exercise part of the board of directors' power of office when the board of directors is not in session, clear rules and principles for such authorization shall be stated in the articles of association of the listed company. The content of such authorization shall be clear and specific. All matters related to material interests of the company shall be submitted to the board of directors for collective decision.

#### (5) Independent Directors

49. A listed company shall introduce independent directors to its board of directors in accordance with relevant regulations. Independent directors shall be independent from the listed company that employs them and the company's major shareholders. An independent director may not hold any other position apart from independent director in the listed company.

50. The independent directors shall bear the duties of good faith and due diligence toward the listed company and all the shareholders. They shall earnestly perform their duties in accordance with laws, regulations and the company's articles of association, shall protect the overall interests of the company, and shall be especially concerned with protecting the interests of minority shareholders from being infringed. Independent directors shall carry out their duties independently and shall not subject themselves to the influence of the company's major shareholders, actual controllers, or other entities or persons who are interested parties of the listed company.

51. Relevant laws and regulations shall be complied with for matters such as the qualifications, procedure of election and replacement, and duties of independent directors.

#### (6) Specialized Committees of the Board of Directors

52. The board of directors of a listed company may establish a corporate strategy committee, an audit committee, a nomination committee, a remuneration and appraisal committee and other special committees in accordance with the resolutions of the shareholders' meetings. All committees shall be composed solely of directors. The audit committee, the nomination committee and the remuneration and appraisal committee shall be chaired by an independent director, and independent directors shall constitute the majority of the committees. At least one independent director from the audit committee shall be an accounting professional.

53. The main duties of the corporate strategy committee shall be to conduct research and make recommendations on the long-term strategic

development plans and major investment decisions of the company.

54. The main duties of the audit committee are (1) to recommend the engagement or replacement of the company's external auditing institutions; (2) to review the internal audit system and its execution; (3) to oversee the interaction between the company's internal and external auditing institutions; (4) to inspect the company's financial information and its disclosure; and (5) to monitor the company's internal control system.

55. The main duties of the nomination committee are (1) to formulate standards and procedures for the election of directors and managers and make recommendations; (2) to extensively seek qualified candidates for directorship and management; and (3) to review the candidates for directorship and management and make recommendations.

56. The main duties of the remuneration and appraisal committee are (1) to study the appraisal standard for directors and management personnel, to conduct appraisal and to make recommendations; and (2) to study and review the remuneration policies and schemes for directors and senior management personnel.

57. Each specialized committee may engage intermediary institutions to provide professional opinions, the relevant expenses to be borne by the company.

58. Each specialized committee shall be accountable to the board of directors. All proposals by specialized committees shall be submitted to the board of directors for review and approval.

#### Chapter 4. The Supervisors and the Supervisory Board

##### (1) Duties and Responsibilities of the Supervisory Board

59. The supervisory board of a listed company shall be accountable to all shareholders. The supervisory board shall supervise the corporate finance, the compliance and legitimacy of directors, managers and other senior management personnel's performance of duties, and shall protect the company's and the shareholders' legitimate rights and interests.

60. Supervisors shall have the right to learn about the operating status of the listed company and shall have the corresponding obligation of confidentiality. The supervisory board may independently hire intermediary institutions to provide professional opinions.

61. A listed company shall adopt measures to ensure supervisors' right to learn about company's matters and shall provide necessary assistance to supervisors for their normal performance of duties. No one shall interfere with or obstruct supervisors' work. A supervisor's reasonable expenses necessary to perform their duties shall be borne by the listed company.

62. The record of the supervisory committee's supervision as well as the results of financial or other specific investigations shall be used as an important basis for performance assessment of directors, managers and other senior management personnel.

63. The supervisory board may report directly to securities regulatory authorities and other related authorities as well as reporting to the board of directors and the shareholders' meetings when the supervisory board learns of any violation of laws, regulations or the company's articles of association by directors, managers or other senior management personnel.

#### (2) The Composition and Steering of the Supervisory Board

64. Supervisors shall have professional knowledge or work experience in such areas as law and accounting. The members and the structure of the supervisory board shall ensure its capability to independently and efficiently conduct its supervision and inspection of directors, managers and other senior management personnel and to supervise and examine the company's financial matters.

65. A listed company shall formulate in its articles of association standardized rules and procedures governing the steering of the supervisory board. The supervisory board's meetings shall be convened in strict compliance with the rules and procedures.

66. The supervisory board shall meet periodically and shall convene interim meetings in a timely manner when necessary. If for any reason a supervisory board meeting cannot be convened as scheduled, an explanation shall be publicly announced.

67. The supervisory board may ask directors, managers and other senior management personnel, internal auditing personnel and external auditing personnel to attend the meetings of supervisory board and to answer the questions that the supervisory board is concerned with.

68. Minutes shall be drafted for the meetings of the supervisory board, which shall be signed by the supervisors that attended the meetings and the person who drafted the minutes. The supervisors shall have the right to

request to record in the minutes explanatory notes to their statements in the meetings. Minutes of the meetings of the supervisory board shall be properly maintained and stored as important records of the company.

## Chapter 5. Performance Assessments and Incentive and Disciplinary Systems

### (1) Performance Assessment for Directors, Supervisors and Management Personnel

69. A listed company shall establish fair and transparent standards and procedures for the assessment of the performance of directors, supervisors and management personnel.

70. The performance assessment of the directors and management personnel shall be conducted by the board of directors or by the remuneration and appraisal committee of the board of directors. The evaluation of the performance of independent directors and supervisors shall be conducted through a combination of self-review and peer review.

71. The board of directors shall propose a scheme for the amount and method of compensation for directors to the shareholders' meeting for approval. When the board of directors or the remuneration and appraisal committee reviews the performance of or discusses the compensation for a certain director, such director shall withdraw.

72. The board of directors and the supervisory board shall report to the shareholder meetings the performance of the directors and the supervisors, the results of the assessment of their work and their compensation, and shall disclose such information.

### (2) Selection of Management Personnel

73. The recruiting of management personnel of a listed company shall be conducted in strict observation with relevant laws and regulations and the company's articles of association. No institution or individual shall interfere with a listed company's normal recruiting procedure for management personnel.

74. The recruiting of management personnel of a listed company shall, to the extent possible, be carried out in a fair and transparent manner, through domestic and international markets for professional management, making full use of intermediary agencies.

75. Employment agreements shall be entered into by a listed company and its management personnel to clarify each party's rights and obligations.

76. The appointment and removal of managers shall be in compliance with legal procedure and shall be publicly announced.

### (3) Incentive and Disciplinary Systems for Management

77. To attract qualified personnel and to maintain the stability of management, a listed company shall establish rewarding systems that link the compensation for management personnel to the company's performance and to the individual's work performance.

78. The performance assessment for management personnel shall become a basis for determining the compensation and other rewarding arrangements for the person reviewed.

79. The results of the performance assessment shall be approved by the board of directors, explained at the shareholders' meetings and disclosed.

80. A listed company shall specify management personnel's duties and responsibilities in its articles of association. If management personnel violate laws, regulations or the company's articles of association and cause damages to the company, the board of directors of the company shall actively investigate and pursue such personnel's legal liabilities.

## Chapter 6. Stakeholders

81. A listed company shall respect the legitimate rights of banks and other creditors, employees, consumers, suppliers, the community and other stakeholders.

82. A listed company shall actively cooperate with its stakeholders and jointly advance the company's sustained and healthy development.

83. A company shall provide the necessary conditions to ensure the legitimate rights of stakeholders. Stakeholders shall have opportunities and channels for redress for infringement of rights.

84. A company shall provide necessary information to banks and other creditors to enable them to make judgments and decisions about the company's operating and financial situation.

85. A company shall encourage employees' feedback regarding the

company's operating and financial situations and important decisions affecting employee's benefits through direct communications with the board of directors, the supervisory board and the management personnel.

86. While maintaining the listed company's development and maximizing the benefits of shareholders, the company shall be concerned with the welfare, environmental protection and public interests of the community in which it resides, and shall pay attention to the company's social responsibilities.

## Chapter 7. Information Disclosure and Transparency

### (1) Listed Companies' Ongoing Information Disclosure

87. Information disclosure is an ongoing responsibility of listed companies. A listed company shall truthfully, accurately, completely and timely disclose information as required by laws, regulations and the company's articles of association.

88. In addition to disclosing mandatory information, a company shall also voluntarily and timely disclose all other information that may have a material effect on the decisions of shareholders and stakeholders, and shall ensure equal access to information for all shareholders.

89. Disclosed information by a listed company shall be easily comprehensible. Companies shall ensure economical, convenient and speedy access to information through various means (such as the Internet).

90. The secretary of the board of directors shall be in charge of information disclosure, including formulating rules for information disclosure, receiving visits, providing consultation, contacting shareholders and providing publicly disclosed information about the company to investors. The board of directors and the management shall actively support the secretary's work. No institutions or individuals shall interfere with the secretary's work.

### (2) Disclosure of Information Regarding Corporate Governance

91. A listed company shall disclose information regarding its corporate governance in accordance with laws, regulations and other relevant rules, including but not limited to: (1) the members and structure of the board of directors and the supervisory board; (2) the performance and evaluation of the board of directors and the supervisory board; (3) the performance and evaluation of the independent directors, including their attendance at board of directors' meetings, their issuance of independent opinions and their opinions regarding related party transactions and appointment and removal of directors

and senior management personnel; (4) the composition and work of the specialized committees of the board of directors; (5) the actual state of corporate governance of the company, the gap between the company's corporate governance and the Code, and the reasons for the gap; and (6) specific plans and measures to improve corporate governance.

### (3) Disclosure of Shareholder's Rights and Interests

92. A company shall timely disclose detailed information about each shareholder who owns a comparatively large percentage of shares of the company, the shareholders who actually control the company when acting in concert and the company's actual controllers in accordance with relevant regulations.

93. A listed company shall learn about and disclose in a timely manner, changes in the shareholding of the company and other important matters that may cause changes in the shareholding of the company.

94. When controlling shareholders increase or decrease their shareholding or pledge the company's shares, or when the actual control of the company transfers, the company and its controlling shareholders shall timely and accurately disclose relevant information to all shareholders.

## Chapter 8. Supplementary Article

95. This Code shall come into effect on the date of issuance.