

## **The Rules of Procedure of the Board of Directors**

### **Chapter 1 General Provisions**

Article 1 In accordance with to the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Articles of Association of Legend Holdings Corporation (the "Articles of Association") and the laws of the places or the relevant regulations of the stock exchange(s) where the Company's shares are listed, the Rules are formulated based on the actual situation of Legend Holdings Corporation (the "Company") to improve the Company's corporate governance structure, standardize the approach of procedure and decision-making process, promote the directors and Board of Directors to effectively perform their duties and improve the standardized operation and reasonable decision-making level of the Board of Directors.

### **Chapter 2 Composition and Authorities of the Board of Directors**

Article 2 The Board of Directors shall comprise 5 to 19 directors. The number of independent directors, at all times, shall not be less than 3 and shall represent more than one third of the Board of Directors. Independent directors shall meet the requirements of the rules of the stock exchange(s) on which the shares of the Company are listed.

The Board of Directors shall have one chairman. The chairman of the Board of Directors shall be elected or removed by more than one half of all directors. The term of office of the chairman shall be 3 years and upon re-election.

Article 3 Directors shall be elected or replaced at the shareholders' general meeting. Directors shall hold office for a term of 3 years, and shall be eligible to offer themselves for re-election and re-appointment upon the expiration of the term of office.

Article 4 The Company shall have independent directors. Except as otherwise provided in this chapter, the provisions relating to the qualifications and obligations of directors in the Article of Association shall apply to independent directors. At least one independent director of the Company shall be an accounting professional. Independent directors shall carry out their duties honestly and faithfully, safeguard the Company's interest and in particular prevent the legal rights and interests of public shareholders from encroachment, in order to ensure the sufficient representation of the interests of all shareholders.

Unless otherwise provided by the relevant laws, regulations and the listing rules of the stock exchange(s) on which the Company's shares are listed, an independent director shall be appointed for a term of 3 years, and shall be eligible to offer himself for re-election and re-appointment. However, an independent director's term of office shall not exceed a total of 9 years (if more than 9 years, the further re-election of the independent director(s) should be subject to a separate resolution to be approved by shareholders).

Independent directors may report directly to the shareholders' general meeting, the securities regulatory authorities of the State Council and other relevant departments.

Article 5 The term of office of a director shall start from the date on which the said director assumes office to the expiry of the current term of the Board of Directors. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to relevant laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected.

Article 6 A senior management officer may concurrently serve as a director, provided that the aggregate number of the directors who concurrently serve as chief executive officer or other senior management officers, or concurrently are the employee representatives shall not exceed one half of the total number of directors of the Company.

The number of senior management officers of the controlling shareholder also holding the office of the chairman or executive directors of the Company shall not exceed 2.

Article 7 The Board of Directors shall exercise the following functions and powers:

- (1) to convene the shareholders' general meeting and report its work to the shareholders' general meeting;
- (2) to implement the resolutions of the shareholders' general meeting;
- (3) to decide on the Company's mid-to-long-term business development strategies;
- (4) to decide on the Company's business plans and investment plans;
- (5) to decide on the Company's annual financial budgets and final accounts;
- (6) to formulate the Company's profit distribution plan and plan for recovery of losses;
- (7) to formulate proposals for increases or reductions of the Company's registered capital and proposals for the issue of corporate debentures or other securities and listing;

- (8) to formulate proposals for material asset acquisition or disposal, and merger, demerger, dissolution or change of corporate form of the Company;
- (9) to formulate proposals for the repurchase of the Company's shares by reason of those circumstances stipulated in subparagraphs (1) and (2) of Article 25 of the Articles of Association;
- (10) to resolve on the repurchase of the Company's shares by reason of those circumstances stipulated in subparagraph (3), (5) or (6) of Article 25 of the Articles of Association;
- (11) to decide on the establishment of the Company's internal management structure;
- (12) to decide on the appointment or dismissal of the Company's chief executive officer, secretary to the Board of Directors and other senior management officers; and to appoint or dismiss other senior management officers, such as the executive vice president, the senior vice president and the person in charge of finance of the Company pursuant to the nominations of the chief executive officer; to appoint or dismiss core management officers as the Board of Directors sees fit;
- (13) to decide on the matters relating to the remuneration and rewards and punishments of the aforesaid senior management officers;
- (14) to formulate the Company's basic management system;
- (15) to formulate proposals for amendment to the Articles of Association;
- (16) to decide on matters such as external investment, acquisition and disposal of assets, pledge of asset, external guarantee, entrusted financial management, connected transactions and donations, subject to the provisions of the Listing Rules or the authority granted by the shareholders' general meeting;
- (17) to manage matters in relation to the disclosure of information on the Company in accordance with the laws, regulations, the Listing Rules and the internal rules of the Company;
- (18) to decide on other major affairs of the Company, save for matters to be resolved at shareholders' general meetings as required by the Company Law and the Articles of Association;
- (19) to the extent permitted by relevant laws and regulations and the Listing Rules, to authorize the chairman of the Board of Directors to consider and decide on key matters relating to the operation and management of the Company;

- (20) to seek approval from the shareholders' general meeting for the engagement or replacement of the accounting firm that provides audit services to the Company;
- (21) to listen to the work report of the chief executive officer of the Company and review the work that the chief executive officer performs;
- (22) to exercise other functions and powers conferred by the laws and regulations, the Listing Rules, the Articles of Association or the shareholders' general meetings.

Except for the matters specified in subparagraphs (7), (8) and (15) which shall be passed by two-thirds or more of the directors, the board's resolutions in respect of any other aforesaid matters may be passed by half or more of all directors.

Any matter beyond the authority that the Board of Directors grants shall be submitted to the shareholders' general meeting for consideration.

The Board of Directors shall make explanations to the shareholders' general meeting on the modified audit opinions issued by the certified public accountants on the Company's financial reports.

#### Article 8

The chairman of the Board of Directors is entitled to the following functions and powers:

- (1) to preside over shareholders' general meetings and to convene and preside over the board meetings;
- (2) to supervise and check on the implementation of resolutions passed at the meeting of the Board of Directors;
- (3) to sign share certificates, bonds and other marketable securities of the Company;
- (4) to sign important documents of the Board of Directors and other documents that shall be signed by the legal representative of the Company and to exercise the authorities of legal representatives;
- (5) to exercise special discretionary powers which are in compliance with legal requirements and are in the interests of the Company on matters of the Company and provide post-event reports to the Board of Directors after such event occurs, in the event of force majeure or an emergency in which it is impossible to convene a board meeting;
- (6) to establish the systems necessary for the operation of the Board of Directors, and coordinate its operation;

- (7) to hear regular and non-regular performance reports from the Company's senior management officers, and to provide the Board of Directors with steering comments on the implementation of board resolutions;
- (8) to nominate a candidate for the chief executive officer and the secretary to the Board of Directors of the Company;
- (9) to consider and decide on key matters relating to the operation and management of the Company, according to the authorization of the Board of Directors;
- (10) to exercise any other functions and powers conferred by laws, regulations, the Articles of Association or the Board of Directors.

Article 9 In the event that the chairman of the Board of Directors is unable to exercise his powers, a director jointly elected by more than one half of all directors may perform his duties.

The Board of Directors may, if necessary, authorize the chairman of the Board of Directors to exercise part of the powers of the Board of Directors when it is in recess.

Article 10 The Company shall have a secretary to the Board of Directors. The secretary to the Board of Directors is a senior management officer of the Company.

Article 11 The secretary to the Board of Directors of the Company shall be a natural person with the requisite professional knowledge and experience, and shall be nominated by the chairman and appointed or removed by the Board of Directors. His primary duties include:

- (1) to ensure that the Company has complete organizational documents and records; to keep and manage shareholder's information; to assist the directors in addressing the routine tasks of the Board of Directors;
- (2) to organize and arrange for the board meetings and general meetings, prepare meeting materials, handle relevant meeting affairs, be responsible for keeping minutes of the meetings and ensure their accuracy, keep meeting documents and minutes and take initiative to keep abreast of the implementation of relevant resolutions. Any important issues occurring during the implementation shall be reported and relevant proposals shall be put forward to the Board of Directors;
- (3) as the contact person of the Company with 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;

- (4) to be responsible for coordinating and organizing the Company's disclosure of information, to establish and improve the information disclosure system, to participate in all of the Company's meetings involving the disclosure of information, and to keep informed of the Company's material operation decisions and related information in a timely manner;
- (5) to ensure the proper maintenance of the Company's register of shareholders, and 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;
- (6) to exercise other functions and powers as conferred by the Board of Directors, as well as other functions and powers as required by laws and regulations, and the stock exchange of the place where the Company's shares are listed.

Article 12 A director or other senior management officers of the Company may concurrently act as the secretary to the Board of Directors. The accountant(s) of the accounting firm which has been appointed by the Company and the management officers of controlling shareholders shall not concurrently act as the secretary to the Board of Directors.

Where the office of secretary to the Board of Directors is held concurrently by a director and an act is required to be done by a director and the secretary to the Board of Directors separately, the person who holds the offices of director and secretary to the Board of Directors may not perform the act in a dual capacity.

Article 13 Where necessary, the Board of Directors may establish relevant special committees, the duties, personnel composition and rules of procedure of which shall be resolved separately by the Board of Directors. These special committees are ad hoc committees under the Board of Directors which provide advices or advisory opinions for the Board of Directors on material decisions. The special committees shall not make any decision in the name of the Board of Directors. However, the committees may exercise decision-making power in respect of the authorized matters in accordance with a special power given by the Board of Directors.

### **Chapter 3 Convening Meetings of the Board of Directors**

Article 14 Meetings of the Board of Directors consist of regular and extraordinary meetings.

Article 15 The regular meetings of Board of Directors shall be held at least four times every year, and convened by the chairman of the Board of Directors.

Article 16 Under any of the following circumstances, an extraordinary meeting of the Board of Directors shall be held and presided by the chairman within ten days upon receipt of proposal:

- (1) when proposed by the shareholders representing one tenth or more of voting rights;
- (2) when proposed jointly by one-third or more of the directors;
- (3) when proposed by the chairman of the Board of Directors;
- (4) when proposed by two or more independent directors;
- (5) when proposed by the Audit Committee;
- (6) when proposed by the chief executive officer.

Article 17 Notice shall be given to all directors and the chief executive officer fourteen days prior to the regular board meeting, and a reasonable period prior to extraordinary board meeting. The responsible body of the Company shall serve a written notice convening the board meeting to each director and the chief executive officer 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 should be made accordingly.

Where an extraordinary board meeting needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall explain at the meeting.

Article 18 The notice of meeting shall be deemed to have issued to a director if he is present at the meeting and does not raise the issue of non-receipt of such notice prior to or at the time of his arrival at the meeting.

Regular or extraordinary board meeting can be held by way of teleconference meeting or by virtue of other telecommunication device. In such meeting, so long as the participating directors can hear and communicate with each other, all participating directors are deemed as if they had participated in the meeting in person.

Article 19 Any material matters to be decided by the Board of Directors must be proceeded strictly according to specified procedures. A notice shall be given to all directors at the time required by the Articles of Association and sufficient information shall be given at the same time. The directors may request additional information. When one-fourth or more of directors or two or more of independent directors consider that the information and materials of the matters are insufficient or, they are unable to make decisions on the matters by other reasons, they may jointly propose to postpone the board meeting or delay the discussion of certain matters to be resolved in the board meeting, and the Board of Directors shall adopt the relevant proposal.

- Article 20 Resolutions in respect of connected transactions of the Company made by the Board of Directors shall not come into force unless it is signed by independent directors.
- Article 21 After a written notice of the regular meeting is delivered, if it is necessary to change the time, place and other matters, or add, change or cancel the proposal of the meeting, the notice may be delivered by telephone or other means.
- Article 22 The board meeting may not be held unless half or more of the directors are present. In determining whether there is quorum for a meeting, directors with material interests in the relevant contracts, transactions or arrangements shall not be counted.
- Article 23 If the convener of the meeting considers it necessary, he may notify other relevant persons to attend the board meeting as non-voting participants.
- Article 24 A director shall attend the board meeting in person. If a director is not able to attend the meeting for any reasons, he may appoint in writing other directors to attend the meeting on his behalf. The scope of authorization shall be specified in the power of attorney.

The appointed director attending the meeting shall only exercise the rights within the scope of authorization. Should a director neither attend a board meeting nor appoint representative to attend on his behalf, the said director shall be deemed to have waived his right to vote at the meeting.

#### **Chapter 4 Voting at Meetings of the Board of Directors**

- Article 25 Each director has one vote. Except for provided in laws, administrative regulations and the Articles of Association, resolutions of the Board of Directors shall be passed by more than half of all directors, and directors with material interests in the relevant contracts, transactions or arrangements shall abstain from voting.
- Article 26 After each proposal has been fully discussed, the Host shall timely request the participating directors to vote on it.
- A director may cast an affirmative, a negative or an abstention vote. Each attending director shall indicate his/her intention by choosing one of the above. The Host of the meeting shall request each director who fails to choose any of the above or has chosen two or more of the above to vote again. Any director who refuses to choose any of the above shall be regarded as having abstained from voting. Any director who leaves the meeting and does not return and has not voted by choosing any of the above shall be regarded as having abstained from voting.
- Article 27 In the case of an equality of votes, the chairman shall have a casting vote.

- Article 28 Under any of the following circumstances, the directors shall withdraw from voting on the proposal:
- (1) A connection between the directors and the enterprise involved in the matters decided at the board meeting;
  - (2) The director personally considers that he (she) should withdraw;
  - (3) Other circumstances that require withdrawal as stipulated by laws, the rules of the stock exchange(s) on which the securities of the Company are listed, and the Articles of Association.
- Under the above circumstances, the board meeting may be held with the attendance of more than half of the unconnected directors, and the resolution of the board meeting shall be approved by more than half of the unconnected directors. If less than three unconnected directors attend the board meeting, the matters shall be submitted to the shareholders' general meeting for deliberation.
- The definition and scope of connected directors shall be determined in accordance with the rules of the securities regulatory authorities and stock exchange(s) on which the shares of the Company are listed.
- Article 29 If there is a contradiction between different resolutions in content and meaning, the resolution whose formation date is later shall prevail.
- Article 30 The Board of Directors may approve the written proposals in lieu of convening meeting of the Board of Directors, but the draft of such proposals shall be delivered to each director through personal delivery, post, fax or e-mail. Such proposal will be passed as a resolution of the Board of Directors, only after it has been delivered to all directors by the Board of Directors, and signed and approved by the required quorum of the directors for decision-making and the signed document for approving such proposal has been delivered to the secretary to the Board of Directors by one of the aforesaid means. Such resolution shall be deemed to have the same legal effect as a resolution passed at a board meeting held in accordance with the procedures set out in the relevant provisions of the Articles of Association.
- Article 31 The Board of Directors shall keep minutes of resolutions on matters discussed at meetings. The attending directors and the minutes taker shall sign on the minutes of such meeting. Directors shall be liable for the resolutions of the Board of Directors. If a resolution of the Board of Directors violates laws, administrative regulations or the Articles of Association, thus causes the Company to suffer any material loss, the directors participating in the resolution are liable to compensate to the Company.

However, directors who have proved to have cast a dissenting vote against the resolution during the voting as recorded in the minutes shall be exempted from such liability.

The minutes of the board meeting shall be kept as corporate records for a period of no less than ten years.

### **Chapter 5 Supplementary Provisions**

- Article 32      The Rules shall become effective after being formulated by the Board of Directors and upon approval by the shareholders' general meeting, the same applies when revising.
- Article 33      In the Rules, the meaning of "no less than", "within" includes the underlying number, while "more than", "before" does not include the underlying number.
- Article 34      The Board of Directors is authorized by the general meeting of shareholders to interpret the Rules.
- Article 35      For any matters that are not contained in the Rules and any provisions of the Rules that conflict with the laws that are enacted or amended, or the listing rules of the stock exchange(s) on which the securities of the Company are listed that are issued or amended, or the Articles of Association that are formulated or amended through legal procedures, all of which occur after the Rules come into force, the laws, the listing rules of the stock exchange(s) on which the securities of the Company are listed and the Articles of Association shall be prevailing.