



**Shanghai Dongzheng Automotive Finance Co., Ltd.\***

**上海東正汽車金融股份有限公司**

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

**(Stock Code: 2718)**

## **PROCEDURES FOR SHAREHOLDERS TO PROPOSE A CANDIDATE FOR ELECTION AS A DIRECTOR**

In order to regulate the procedures for nomination of directors of Shanghai Dongzheng Automotive Finance Co., Ltd.\* (the “**Company**”), according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Company Law of the People's Republic of China and other relevant laws, regulations, normative documents and relevant rules of Articles of Association of Shanghai Dongzheng Automotive Finance Co., Ltd.\* (the “**Articles**”), the Company formulates the procedures for shareholders to propose a candidate for election as a director (except for directors being employee representatives) as below:

### **1. Qualifications and methods for shareholders to nominate candidates of directors**

- (1) When the Company convenes a general meeting, the shareholders individually or jointly holding 3% or more of the Company's shares may submit proposals to the Company in writing, and the Company shall include the matters therein falling within the scope of functions and powers of the general meeting into the agenda of the meeting. (Article 71 of the Articles)
- (2) Where the general meeting intends to consider the election of directors, the notice of the meeting shall, in accordance with laws, administrative regulations, departmental rules, normative documents, and provisions of relevant regulatory authorities and the Articles, fully disclose the detailed information of the candidates for directors, in addition to the adoption of a cumulative voting system for the election of directors, each candidate for director shall be nominated in a separate proposal at the general meetings. (Article 75 of the Articles)

## **2. Basic qualifications of directors**

- (1) Directors are natural persons and need not hold any shares in the Company. The directors of the Company shall have the professional knowledge, work experience and basic qualities necessary to perform their duties, and have good professional ethics. None of the directors may serve concurrently as a director in another financial institution where conflicts of interest may arise. (Article 103 of the Articles)
- (2) The qualifications of directors of the Company shall conform to the provisions of laws, administrative regulations, departmental rules, normative documents, relevant regulatory authorities and the Articles. The directors shall be subject to qualification examination by the CBIRC in accordance with the above provisions. (Article 156 of the Articles)
- (3) A person who fits any of the following descriptions shall not serve as a director of the Company (including an independent non-executive director of the Company): (Article 157 of the Articles)
  - (1) a person who does not have or who has limited capacity for civil conduct;
  - (2) a person who has been sentenced for corruption, bribery, infringement of property, misappropriation of property or other crimes which destroy the social economic order, where less than five years have lapsed since the sentence was served, or a person who has been deprived of his political rights and less than five years have lapsed since the sentence was served;
  - (3) a person who is a director, factory manager or general manager of a company or enterprise which has been dissolved or put into liquidation and who was personally liable for the winding up of such company or enterprise, where less than three years have elapsed since the date of completion of the insolvent liquidation of the company or enterprise;
  - (4) a person who was the legal representative of a company or enterprise which had its business license revoked and was ordered to close down due to violation of laws and who is personally liable therefor, where less than three years have elapsed since the date of revocation of the business license of such company or enterprise;

- (5) a person who bears a relatively large amount of debts due and outstanding;
- (6) a person who is currently under investigation by the judicial authorities for violation of criminal law, and the case concerned has not been settled;
- (7) a person who, according to laws and administrative regulations, cannot act as a leader of an enterprise;
- (8) a person other than a natural person;
- (9) a person who has been convicted by the competent authority for violation of relevant securities regulations and such conviction involves a finding that such person has acted fraudulently or dishonestly, where less than five years have lapsed since the date of such conviction;
- (10) a person who has a criminal record involving intentional or gross negligence;
- (11) a person who has violated social morality and thus caused adverse effects;
- (12) a person who has personal liability or direct leadership responsibility for the illegal business activities or major losses of an entity he used to work for, where the case is serious;
- (13) a person who serves or served as a director or senior management officer of an entity that has been taken over, cancelled, declared bankrupt or had its business license revoked, except he can prove that he has no personal liability for such entity being taken over, cancelled, declared bankrupt or revoked of its business license;
- (14) a person who has caused major losses or adverse effects due to his violation of professional ethics and integrity or serious dereliction of duty;
- (15) a person who has instigated or participated in the non-cooperation of an entity he works for with any legal supervision or investigation;
- (16) a person who has been disqualified from holding office as a director or senior management for life, or who has two or more penalties imposed by the regulatory authorities or other financial regulatory bureaus;

- (17) a person who does not have the qualifications stipulated in Measures for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions but somehow managed to obtain the eligibility approval by improper means;
- (18) a person who, as of his application for eligibility, or whose spouse still bears a large amount of overdue debts, including overdue loans owed to the financial institution that he is applying to serve;
- (19) a person who and his close relatives jointly hold more than 5% of the shares in the financial institution that he proposes to serve and have obtained from such financial institution a credit facility which is obviously worth more than the net equity held by them therein;
- (20) a person who and other corporate shareholder(s) controlled by him jointly hold more than 5% of the shares in the financial institution that he proposes to serve and have obtained from such financial institution a credit facility which is obviously worth more than the net equity held by them therein;
- (21) a person who or his spouse works for a corporate shareholder that holds more than 5% of the shares in the financial institution that he proposes to serve and has obtained from such financial institution a credit facility which is obviously worth more than the net equity held by it therein, unless he can prove that such credit facility has nothing to do with him or his spouse;
- (22) a person who holds a position elsewhere that has a conflict of interest with his proposed or existing position in the financial institution that he proposes to serve, or that will obviously divert his time and energy from serving such financial institution;
- (23) other circumstances prescribed by laws, administrative regulations and departmental rules.

- (4) An independent non-executive director shall meet the following basic qualifications:  
(Article 112 of the Articles)
- (1) being eligible to serve as a director and independent director of the Company pursuant to laws, administrative regulations, departmental rules, normative documents, and relevant provisions of competent regulatory authorities and the Articles;
  - (2) performing duties independently and not being affected by any of the substantial shareholders and de facto controller of the Company or any other entity or individual that has an interest in the Company;
  - (3) having a bachelor's degree or above or a senior technical title in a relevant profession;
  - (4) being knowledgeable about corporate governance and familiar with relevant laws, administrative regulations, departmental rules and normative documents;
  - (5) having at least five years of work experience in legal, economic, financial or accounting areas or other work experience conducive for performing the duties of independent director;
  - (6) being familiar with the operation and management of auto finance companies and relevant laws, administrative regulations, departmental rules and normative documents;
  - (7) having the ability to read, comprehend and analyze the credit statistics statements and financial statements of auto finance companies;
  - (8) having enough time and energy to perform effectively his duties and undertaking to honor his fiduciary duty to and work conscientiously for the Company.

### **3. Procedures for shareholders to propose candidates of directors**

- (1) A written notice stating the intention to nominate a candidate for director and the nominee's acceptance of such nomination, together with relevant written materials on the nominee, shall be delivered to the Company no sooner than the date of issuing the notice of general meeting and no later than seven days before holding the meeting. The open period for submitting and accepting nomination shall not be less than seven days. (Article 105 of the Articles)
  
- (2) Where the general meeting intends to consider the election of directors, the notice of the meeting shall, in accordance with laws, administrative regulations, departmental rules, normative documents, and provisions of relevant regulatory authorities and the Articles, fully disclose the detailed information of the candidates for directors, including at least the following: (Article 75 of the Articles)
  - (1) educational background, work experience, and part-time job experience;
  
  - (2) whether a candidate has any connection with the Company or its controlling shareholder or de facto controller;
  
  - (3) the number of shares in the Company held by the candidate;
  
  - (4) whether or not a candidate has been subject to any punishment by the securities regulatory authority of the State Council and other competent authorities or the stock exchange;
  
  - (5) information on the prospective directors (whether by new appointment or job transfer) as required to be disclosed under the Listing Rules.

#### **4. Rules restricting shareholders' rights to propose candidates of directors**

- (1) If a shareholder (including its related parties and persons acting in concert) holds 5% or more of the total issued shares of the Company (the part exceeding 5% is referred to as "**Excess Shares**") without obtaining the prior approval from the CBIRC, before obtaining such approval from the CBIRC, such shareholder's exercise of shareholder rights over the Excess Shares shall subject to the restriction that the Excess Shares do not carry the right to nominate candidates for directors. (Article 60 of the Articles)

*\* For identification purposes only*