

Zangge Mining Co., Ltd.

Anti-Fraud System



September 2023

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Chapter I General Provisions

Article 1 In order to prevent fraud, enhance the governance level and internal control of Zangge Mining Co., Ltd. (the “Company”), mitigate Company risks, standardize business conduct, safeguard the legitimate rights and interests of the Company, ensure the achievement of the Company’s business objectives and the Company’s continuous, stable and healthy development, and protect the legitimate rights and interests of shareholders, this system is hereby formulated in accordance with the Company’s business objectives and laws, regulations, regulatory documents, exchange business rules and requirements for listed companies, coupled with the actual situation of the Company.

Article 2 This system specifies the purpose of anti-fraud, concept and form of fraud, responsibility for anti-fraud, prevention and control of fraud, whistleblowing, investigation and reporting of fraud cases, permanent anti-fraud bodies and their functions, guidance on and supervision of anti-fraud, remedies and punishment for fraud, and scope of application of this system.

Article 3 The purpose of anti-fraud is to standardize the professional conduct of the Company’s directors, officers, middle management and ordinary employees, cause them to strictly abide by relevant laws, industry norms and standards, professional ethics and rules and regulations, establish a good atmosphere of honesty, diligence and dedication, and avoid the conduct that harms the interests of the Company and shareholders.

Article 4 This system applies to all employees of all departments and subsidiaries of the Company.

Chapter II Concept and Form of Fraud

Article 5 The term “fraud” as used herein refers to the conduct of people within and/or outside the Company that uses cheating and other illegal means to seek improper personal interests and damage the proper economic interests of the Company; or the conduct that seeks improper economic interests from the Company and may result in improper personal interests.

Article 6 The fraud that damages the legitimate economic interests of the Company refers to the improper conduct of people within and/or outside the Company by cheating and other illegal means to seek their own interests, that damages the legitimate economic interests of the Company and the shareholders.

A fraud that damages the legitimate economic interests of the Company occurs under any of the following circumstances:

1. Accepting bribes or kickbacks;
2. Transferring transactions that would normally benefit the organization to others;
3. Illegal use of Company assets, and embezzlement, misappropriation or theft of Company property;
4. Causing the Company to pay for false transactions;
5. Intentionally concealing or misstating transactions;
6. Falsifying or altering accounting records or vouchers;
7. Revealing the Company’s commercial or technical secrets;
8. Other frauds that damage the economic interests of the Company.

Article 7 The fraud that seeks improper economic interests from the Company refers to the improper conduct of people within the organization to damage the interests of the state, other organizations, individuals or shareholders by cheating and other illegal means in order to acquire improper economic benefits for the Company and possibly, themselves.

A fraud that seeks improper economic interests from the Company occurs under any of the following circumstances:

1. Spending for inappropriate purposes, such as paying bribes or kickbacks;

2. Selling non-existent or unreal assets;
3. Intentionally misstating transactions and/or recording false transactions, including inflating income, underestimating liabilities and issuing incorrect financial reports, causing readers or users of financial statements to misunderstand and make inappropriate investment and financing decisions;
4. Concealing or deleting important information that should be disclosed;
5. Engaging in illegal economic activities;
6. Falsifying or altering accounting records or vouchers;
7. Evading taxes;
8. Other frauds that seek improper economic interests from the organization.

Chapter III Priorities of Anti-Fraud

Article 8 The following cases shall be the priorities of anti-fraud of the Company:

1. Embezzlement or misappropriation of enterprise assets without authorization or by other illegal means to seek improper benefits;
2. False records, misleading statements or material omissions in financial accounting reports and information disclosure;
3. Abuse of power by directors, supervisors, managers and other officers;
4. Collusion by relevant bodies or persons.

Chapter IV Responsibility for Anti-Fraud

Article 9 Management of the Company shall bear the responsibility for any fraud instance. Management of the Company shall be responsible for establishing, improving and effectively implementing anti-fraud procedures and controls, including fraud risk assessment and fraud prevention, and conducting self-assessment; the Audit Committee of the Board of Directors shall be responsible for guiding the Company's anti-fraud activities; the permanent anti-fraud body (Audit Department) established by the Company shall be responsible for organizing and implementing cross-departmental and

company-wide anti-fraud activities; and each business department shall be responsible for its own anti-fraud activities.

Chapter V Prevention and Control of Fraud

Article 10 The anti-fraud activities of management of the Company include, without limitation, advocating the corporate culture of good faith and integrity to create an anti-fraud corporate culture environment; assessing the risk of fraud and establishing specific control procedures and mechanisms to reduce the chances of fraud; establishing permanent anti-fraud bodies to receive, investigate, report and advise on the handling of fraud whistleblowing, and accepting supervision from the Board of Directors and the Audit Committee.

Article 11 Advocating a corporate culture of good faith and integrity includes (without limitation) the following ways:

1. The directors, supervisors and officers of the Company shall lead by example and first take practical actions to comply with laws, regulations and various rules and regulations of the Company.

2. The Company's anti-fraud policies, procedures and relevant measures shall be effectively communicated or trained within the Company in various forms (employee handbook, Company rules and regulations, billboards or local area network, etc.) to ensure that employees receive training on relevant laws, regulations and professional ethics to help them understand the concepts involved in the code of conduct, and identify legal and illegal, ethical and unethical conducts. All employees must be clear about the Company's serious attitude to the prevention of fraud and their anti-fraud responsibilities, and consciously strive to improve their ideological level and skills of anti-fraud.

3. The Company shall carry out anti-fraud training and education on laws, regulations, integrity and morality for new employees from time to time every year, which shall be entrusted to the Human Resources Department.

4. The Company shall encourage employees to observe disciplines and obey laws and conduct in an honest and ethical way during daily work and communication within the Company, and help them correctly deal with conflicts of interest and improper interest temptations in their work; and shall inform in an appropriate form all stakeholders in society who have direct or indirect relations with the Company, including external stakeholders (customers, suppliers, regulators and shareholders), of the information that the Company advocates employees to observe disciplines and obey laws and conduct in an honest and ethical way.

5. Employees shall have channels to report unethical and dishonest conducts in real name or anonymously, and the Company shall develop and implement effective education and punishment policies.

Article 12 Management of the Company shall assess the risk of fraud and establish specific control mechanisms to reduce the chance of fraud by:

1. incorporating fraud risk assessment into the enterprise risk assessment conducted at the beginning of each year. Management shall identify and assess fraud risks at the Company level, business department level and main account level, including the assessments of the importance and likelihood of fraud risk. This also includes assessments of fraudulent financial reporting, misappropriation of Company assets, unauthorized or inappropriate income or expenses, and the risk of fraud of officers or the Board of Directors.

2. implementing controls to reduce the chance of fraud. Management shall develop and take measures to identify, prevent and reduce false financial reporting or misuse of Company assets; all levels and departments of the Company shall develop anti-fraud control measures, which may be in different forms, such as approval, authorization, verification, verification, division of rights and responsibilities, work performance review and protection of Company assets. The Company shall develop the necessary internal control measures in areas with a high fraud risk including false financial reporting and management overreach, as well as in information systems and technology. These measures include the drawing of business flow charts and development of management systems to relate the risk of operational and financial fraud with control

measures, so that a workable fraud control mechanism can be established from the source.

Article 13 The Company shall conduct background checks, including checks on educational background, work history and criminal record, on those ready to be assigned or promoted to important positions. The background check process shall be formally documented and kept in employee files.

Article 14 The ongoing fraud supervision by management shall be integrated into daily control activities, including daily production and operation management and supervision activities.

Chapter VI Whistleblowing, Investigation and Reporting of Fraud Cases

Article 15 The Audit Department shall be responsible for setting up and announcing the reporting hotline and email address for professional ethical issues and fraud cases, which shall serve as channels for employees at all levels and social parties that have direct or indirect economic relations with the Company to reflect and report violations of professional ethics by the Company and its employees, or to report and expose actual or suspected fraud cases. The Audit Department shall streamline the above process, establish written procedures and rules to specify how to accept, retain, and handle complaints and real-name or anonymous whistleblowing of employees and external third parties, and keep written records for checking by management, Audit Committee and Board of Directors.

Reporting hotline and email address set up by the Audit Department:

Hotline: 0979-8950668

Email: liangwenke@email.zanggekuangye.com

Article 16 The Audit Department shall, according to the priorities of the suspected, accused but unsubstantiated reports involving ordinary employees, work with personnel from the legal and human resources departments of the Company to evaluate them and decide whether an investigate is needed. If the report involves the officers of the Company, it shall be jointly investigated by a special investigation team

composed of personnel from the Audit Department and relevant departments after the approval of the Board of Directors and the Audit Committee of the Company. During investigations, external experts may also be engaged as necessary. The assessment of the internal control of the affected business departments is required and recommendations for improvement shall be given. For real-name reporting, whether or not an investigation will be initiated, the Audit Department needs to feedback the investigation results to the whistleblower.

Article 17 Personnel who receive reports and participate in fraud investigations shall not provide information and materials related to the whistleblower and report contents to any other personnel of the Company without authorization.

Article 18 The whistleblower shall be protected when reporting and assisting in fraud investigations, any acts of discrimination or retaliation against the whistleblower shall be prohibited, and any acts of obstruction, interference or resistance against personnel involved in fraud investigations shall be prohibited. Those who illegally disclose information and materials related to the whistleblower or take retaliation against the whistleblower shall be dealt with seriously by the Company according to relevant regulations; those who are suspected of serious violations and crimes shall be transferred to the judicial organs by the Company according to law.

Article 19 The Audit Department shall, in accordance with the filing procedures, timely file the reported materials of fraud cases after reporting and investigation. The investigation results and work reports on fraud cases shall be reported to the Board of Directors and the Audit Committee on a quarterly basis according to the nature of the reports.

Chapter VII Permanent Anti-Fraud Bodies and their Functions

Article 20 The Company designates the Audit Department as the permanent anti-fraud body of the Company, which is responsible for organizing and implementing the cross-departmental and company-wide anti-fraud activities of the Company, including assisting the Audit Committee to organize management and various departments to

conduct annual fraud risk assessment; supporting the Audit Committee and other departments in the annual self-assessment of anti-fraud activities; conducting an independent assessment of the Company's anti-fraud activities; helping the Company carry out anti-fraud publicity activities; reviewing and evaluating the establishment and implementation of anti-fraud control mechanisms carried out by the Company; accepting and registering fraud reports; organizing investigations on fraud cases; issuing opinions on fraud handling; and reporting fraud to management, the Audit Committee and the Board of Directors.

Article 21 As the permanent working body of the Audit Committee, the Audit Department shall also be responsible for submitting evaluation reports to the Audit Committee on the Company's anti-fraud work plan and implementation, preparing reports on the receipt of fraud cases, investigation results and handling opinions, and accepting the work guidance of the Audit Committee and the Board of Directors.

Article 22 The auditors shall consciously improve their anti-fraud awareness and anti-fraud technical skills, maintain due professional caution, ask for and receive training on anti-fraud laws and regulations, industry standards, knowledge and skills of securities exchanges and regulatory agencies at home and abroad, and understand the development status of the Company's production and business activities and plans, accounting policies and other relevant rules and regulations.

Article 23 Considering that relevant organizations outside the Company, such as local government departments and external audit institutions, may also receive fraud reports from personnel within the Company, the Audit Department shall actively establish contacts and exchanges with them and carry out necessary cooperation in anti-fraud activities.

Chapter VIII Guidance on and Supervision of Anti-Fraud

Article 24 It is necessary for management of the Company to take the anti-fraud activities as part of the daily management work, actively support the daily work of the

permanent anti-fraud body, and fully ensure the conducting of anti-fraud activities with respect to budget, personnel allocation and working conditions preparation.

Article 25 The Audit committee of the Company shall hold an anti-fraud briefing at least once a year, or at any time in case of any important situation or major problem, such as fraud involving officers of the Company, which has great impact on the normal production and business activities of the Company, or affects the normal issuance of the Company's financial reports or involves in misstatement. At the briefing, the heads of various departments shall report to the Audit Committee on the implementation of anti-fraud activities of their own departments, and listen to the relevant opinions and instructions of the Audit Committee; the Audit Department shall submit evaluation reports on the Company's anti-fraud work plan and implementation, prepare reports on the receipt of fraud cases, investigation results and handling opinions, and listen to the relevant opinions and instructions of the Audit Committee.

Article 26 The Audit Department shall report to the Audit Committee and the Board of Directors on anti-fraud activities at least once a year. The Board of Directors and the Audit Committee shall direct, supervise and participate as necessary in the work carried out by management and the Audit Department, specifically they shall:

1. take the lead in participating in and urging management to establish a company-wide anti-fraud cultural environment, and supervise management to carry out anti-fraud activities in accordance with the Company's anti-fraud system;
2. review the anti-fraud procedures and controls of management, including management's identification of fraud risks and implementation of anti-fraud measures;
3. review the annual fraud risk assessment of the Audit Department and its work plan and report;
4. review the possibility of management going beyond control or other acts that can have improper impact on the financial reporting process;
5. understand the employee reporting mechanism and supervise its operation and effectiveness;

6. acquire investigation reports and handling opinions on fraud instances identified by management and internal or external auditors, and communicate with external auditors about the anti-fraud activities within the Company;

7. inquire management about its receipt and review of quarterly reports on confirmed or suspected fraud or malpractice, including the nature, status and final handling of the fraud or malpractice;

8. learn about management feedback on internal and external auditors' recommendations on improving anti-fraud controls;

9. participate in or assign relevant personnel to participate in the investigation of major or financial-staff-related fraud instances;

10. review internal audit plans to address fraud risks;

11. listen to the reports of the Audit Department on the anti-fraud activities of the Company's management;

12. review the accounting standards, accounting policies and accounting estimates applied by management;

13. review the information on major and special transactions and affiliated transactions conducted by management.

Article 27 Relevant discussions and instructions made by the audit Committee and the Board of Directors independently or jointly shall be documented, and management's feedback on inquiries, comments and instructions made by the above bodies as well as implementation results shall be documented and kept properly for future reference.

Article 28 The Audit Department shall consider the fraud risk when formulating and implementing the annual audit plan. The Audit Department shall leverage its role of necessary guidance and supervision during the anti-fraud activities, communicate its work plan and work results with management as necessary, and accept the guidance and supervision of the Audit Committee and the Board of Directors.

Article 29 The Audit Department may, under the authorization of the Audit Committee and the Board of Directors of the Company, conduct the investigation of reported fraud cases independently or jointly with the business departments of the

Company, or conduct special fraud investigations as entrusted by management, and conduct special evaluation of anti-fraud systems and processes for particular matters. Investigation reports, handling opinions and evaluation reports prepared by the Audit Department shall be reported to the management, the Board of Directors and the audit committee respectively.

Chapter IX Remedies and Punishment for Fraud

Article 30 Upon a fraud case, the Company shall prepare a written report of the evaluation and improvement of internal control in its remedies, take appropriate measures against the violators, and communicate the results to internal and necessary external third parties.

Article 31 For all employees who commit fraud, whether or not it constitutes a criminal offence, the Audit Department shall recommend management of the Company to impose corresponding internal economic and administrative disciplinary punishment in accordance with relevant provisions; those who violate the criminal law shall be transferred to judicial organs for punishment according to law.

Article 32 Party members and cadres who commit fraud shall be transferred to discipline inspection and supervision departments for punishment according to Party discipline and state laws.

Chapter X Supplementary Provisions

Article 33 Matters not covered herein, or inconsistencies of this system with relevant laws and regulations, normative documents, business rules of the exchanges and the Articles of Association, shall be governed by the above laws and regulations, normative documents, business rules of the exchanges and the Articles of Association.

Article 34 Under the authorization of the Board of Directors, the Audit Department shall be responsible for drafting, revising, interpreting and supervising the implementation of this system.

Article 35 This system has been reviewed and approved by the Board of Directors and will be effective as of March 9, 2023. The previous Anti-Fraud System dated July 2017 is abolished accordingly.