



SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

APPENDICES TO THE ARTICLES OF ASSOCIATION

(As adopted by special resolution of shareholders at the annual general meeting of the Company held on 18 June 2003 and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 13 August 2003)

(As adopted by special resolution of shareholders at the annual general meeting of the Company held on 18 June 2004 and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 30 July 2004)

(As adopted by special resolution of shareholders at the annual general meeting of the Company held on 28 June 2005 and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 5 August 2005)

(As adopted by special resolution of shareholders at the annual general meeting of the Company held on 15 June 2006 and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 8 August 2006)

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RULES OF PROCEDURE FOR SHAREHOLDERS' GENERAL MEETINGS

CHAPTER I GENERAL PROVISIONS

- Article 1** These Rules are formulated in accordance with the laws and regulations and the rules and regulations governing the listed companies within and outside China, including Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), the Mandatory Provisions in the Articles of Association of Companies Listed Overseas, Guidelines on the Articles of Association of Listed Companies, Standards on Corporate Governance for Listed Companies, the Rules of Procedure for Shareholders' General Meetings of Listed Companies and etc. and with the Articles and Association of Sinopec Shanghai Petrochemical Company Limited (hereinafter referred to as the "**Articles**"), in order to protect the lawful interest of Sinopec Shanghai Petrochemical Company Limited (hereinafter referred to as the "**Company**") and its shareholders, to clearly define the responsibilities and authority of the shareholders' general meeting, to ensure the shareholders' general meeting is conducted in a standardized, efficient and stable manner and to perform the functions and powers thereof according to law.
- Article 2** These Rules shall be applicable to shareholders' general meetings and shall have binding effect on the Company, all shareholders, proxies authorized by the shareholders, the directors, supervisors, general manager, deputy general managers, financial controller and the secretary of the board of directors of the Company and other relevant personnel who attend the shareholders' general meeting.
- Article 3** Shareholders' general meetings can be classified as annual general meetings (hereinafter referred to as the "**AGM**") and extraordinary general meetings.
- Article 4** The AGM shall be convened once every year and shall be held within six months after the end of the preceding accounting year.
- Article 5** For all shareholders' general meetings convened each year, meetings other than the AGM shall be treated as extraordinary general meetings. The extraordinary general meetings shall be arranged in sequential order during the year.
- Article 6** Shareholders holding different classes of shares shall be referred to as "**class shareholders**". Apart from holders of other classes of shares, holders of domestic shares and H shares shall be treated as **holders of different classes of shares**. In the event that the Company intends to change or abolish the rights enjoyed by the class shareholders, the said change or abolishment shall, in accordance with the Articles, be approved by a special resolution at the shareholders' general meeting and a class meeting for the classes of shareholders shall be convened in connection therewith. No shareholders other than the classes of shareholders shall be allowed to attend such class meeting. Class meetings for the class shareholders can be classified as class meetings for holders of domestic shares and class meetings for holders of H shares.

Article 7 The board of directors of the Company shall strictly comply with various requirements as provided in the Company Law and other laws and regulations in respect of convening the shareholders' general meeting and shall organize the shareholders' general meeting diligently and in a timely fashion. All directors of the Company shall fulfil their fiduciary duties for properly convening shareholders' general meetings and shall not prevent the shareholders' general meeting from exercising its functions and powers according to law.

Directors attending such meetings shall undertake their responsibilities in good faith and ensure that the substance of the resolutions shall be true, accurate and complete. No representation which may easily result in misinterpretation thereof shall be used.

Article 8 A shareholder who lawfully holds shares in the Company shall have the right to attend, in person or by proxy, the shareholders' general meeting and shall enjoy various rights thereat according to the law and in accordance with these Rules, including the right to be informed, the right to speak, the right to question and the right to vote.

Shareholders and their authorized proxies shall comply with the relevant laws and regulations, the Articles and these Rules to maintain the order of the meeting conscientiously. The lawful interests of other shareholders shall not be infringed.

Article 9 The secretary of the board of directors of the Company shall be responsible for carrying out all preparatory and organization work for convening the shareholders' general meeting.

Article 10 The shareholders' general meeting shall be convened by adhering to the principles of cost-saving and simplicity. No additional benefits shall be granted to the shareholders (or their authorized proxies) attending such meeting.

CHAPTER II FUNCTIONS AND POWERS OF THE SHAREHOLDERS' GENERAL MEETING

Article 11 The shareholders' general meeting shall be the organ of authority of the Company. It may exercise the following functions and powers according to law:

- (1) to determine the business objectives and investment plans of the Company;
- (2) to elect and replace directors, and to determine matters relating to the remuneration and liability insurance of the directors;
- (3) to elect and replace supervisors representing the shareholders and to determine matters relating to remuneration and liability insurance of the supervisors;

- (4) to consider and approve the reports of the board of directors;
- (5) to consider and approve the reports of the supervisory committee;
- (6) to consider and approve the Company's plans for profit distribution and for making up losses;
- (7) to consider and approve the Company's annual budgets and the final accounts;
- (8) to pass resolutions relating to the increase or reduction of the Company's registered capital;
- (9) to pass resolutions relating to matters including the merger, division, dissolution, liquidation or changing of the form of the Company;
- (10) to pass resolutions on the issue of bonds of the Company;
- (11) to pass resolutions on retaining or dismissing or ceasing to continue to retain the accounting firms;
- (12) to amend the articles of association;
- (13) to consider motions proposed by the supervisory committee and shareholders representing more than 5% (inclusive) of the voting right of the Company;
- (14) to examine and approve matters relating to guarantees stipulated in Article 60 of the Articles;
- (15) to consider the Company's significant acquisition or disposal of material assets conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;
- (16) to examine and approve changes in the use of proceeds;
- (17) to examine and approve share incentive schemes;
- (18) to authorize or entrust the board of directors to handle all such matters as authorized or entrusted by it;
- (19) to determine any other matters as required in accordance with the laws, administrative regulations and the Articles;

The shareholders' general meeting shall exercise its functions and powers to the extent as permitted by the Company Law. It shall not interfere with shareholders in respect of their own rights.

CHAPTER III DELEGATION OF POWERS OF THE SHAREHOLDERS' GENERAL MEETING

Article 12 Matters which, in accordance with laws, administrative regulations, rules and regulations of authorized departments and provisions of the Articles of Association, fall within the scope of the authority of the shareholders' general meeting must be examined at such meeting so as to protect the decision-making power of the shareholders of the Company on such matters.

Article 13 In order to ensure and enhance the stable, healthy and efficient daily operation of the Company, the shareholders' general meeting may authorize, expressly and with restrictions, the board of directors to exercise the following functions and powers in respect of investment plans and assets disposal:

(1) Investment:

1. The shareholders' general meeting shall consider the medium- to long-term investment plans and the annual investment plans of the Company; it shall delegate to the board of directors the power to make an adjustment of no more than 15% on the capital expenditure amount for the current year which has been approved by the shareholders' general meeting.
2. For investments in individual projects (including, but not limited to, projects involving fixed assets and external equity), the shareholders' general meeting shall examine and approve any project with an investment amount which exceeds 5% of the most recent audited net assets value of the Company; it shall delegate to the board of directors the power to examine and approve any project with an investment amount no more than 5% of the most recent audited net assets value of the Company.
3. In the event that the Company utilizes its own assets to conduct risk investments (including, but not limited to, bonds, futures and shares) in any industry which is not related to the business of the Company, the shareholders' general meeting shall examine and approve any such project with an investment amount which exceeds 2% of the most recent audited net assets value of the Company; it shall delegate to the board of directors the power to examine and approve any project with an investment amount of no more than 2% of the most recent audited net assets value of the Company.

(2) Transactions and asset transactions:

1. When entering into any transaction as stated in the “Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange”, whether or not such transaction shall be examined and approved by a shareholders’ general meeting shall be determined in accordance with the provisions of the “Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange”. With respect to any transaction not needed to be examined and approved by a shareholders’ general meeting, it shall be examined and approved by the board of directors or other authorized persons in accordance with the “Rules of Procedures for Board of Directors’ Meetings”.
2. In the course of carrying out a fixed assets transaction, if the sum of the estimated value of the fixed assets proposed to be transacted and the value derived from the fixed assets which have been transacted within four months prior to such transaction proposal are greater than 33% of the value of the fixed assets as shown in the balance sheets considered at the latest shareholders’ general meeting, a shareholders’ general meeting shall examine and approve such transaction. A fixed assets transaction which dispose of fixed assets at a value not greater than 33% shall be examined and approved by the board of directors.

For the purposes of these Rules, the term “**transaction**” of fixed assets includes transfer of certain interests in the assets but excludes using fixed assets for the provision of guarantee.

The validity of any fixed assets transaction undertaken by the Company shall not be affected by any breach of the first paragraph of this article.

3. Any significant acquisition or disposal of material assets conducted by the Company within the period of one year with a value exceeding 30% of the latest audited total assets of the Company shall be subject to the approval by shareholders at general meetings, and the board of directors shall be authorized to consider and approve any acquisition or disposal of assets conducted by the Company within the period of one year with a value below 30% of the latest audited total assets of the Company.

- (3) The following matters relating to guarantees provided by the Company to a third party shall be subject to the approval by shareholders at general meetings:
1. any subsequent guarantee to be provided by the Company in favour of a third party when the aggregate amount of guarantees of the Company and its holding subsidiaries given in favour of third parties has already exceeded 50% of the Company's most recently audited net asset value;
 2. any subsequent guarantee to be provided by the Company in favour of a third party, when the aggregate amount of guarantees of the Company given in favour of third parties has reached or has already exceeded 30% of the Company's most recently audited total asset value;
 3. any guarantee to be provided by the Company in favour of an entity which is subject to a gearing ratio of over 70%;
 4. any single guarantee to be provided by the Company exceeding 10% of the Company most recently audited net asset value;
 5. any guarantees to be provided in favour of any shareholder, de facto controllers and their connected parties.

For guarantees provided by the Company to a third party which are not subject to the approval by shareholders at general meetings, the board of directors shall be authorized to consider and approve these guarantees in accordance with the Rules of Procedure for Board of Directors' Meetings.

- (4) In the event that any of the above investment, transaction or asset transaction constitutes a connected transaction according to the regulatory requirements of the listing venue, such matter shall be handled according to relevant regulatory requirements.

Article 14 The shareholders' general meeting may reasonably authorize the board of directors the power to determine, to the extent permitted by the shareholders' general meeting, any specific matters which are relevant to the matters being resolved and which are unable to be determined at the current shareholders' general meeting, if necessary.

CHAPTER IV PROCEDURES TO CONVENE A SHAREHOLDERS' GENERAL MEETING

Section 1 Proposing, seeking and considering motions

Article 15 Motions put forward in a shareholders' general meeting shall be specific and shall relate to the matters which shall be discussed at a shareholders' general meeting.

- Article 16** Motions are generally proposed by the board of directors to the shareholders' general meeting.
- Article 17** In the event that more than one-half of the independent directors propose to convene an extraordinary general meeting, such directors shall be responsible for proposing resolutions. In the event that the board of directors does not agree to convene the extraordinary general meeting, it shall disclose the relevant details of its decision.
- Article 18** In the course of convening an AGM, the supervisory committee, more than one-half of the number of independent directors or shareholders who, individually or jointly, hold more than 5% of the total voting shares of the Company shall have the right to propose an *ex tempore* motion. In the event that a shareholder who has proposed a motion objects to decision of the board of directors on excluding the motions proposed by him from the agenda of the shareholders' general meeting, such shareholder may request to convene an extraordinary general meeting in accordance with these Rules.
- Article 19** In the event that the supervisory committee proposes to convene an extraordinary general meeting, it shall be responsible to propose motions in relation thereto.
- Article 20** In the event that shareholders who, individually or jointly, hold more than 5% of the total voting shares of the Company propose to convene an extraordinary general meeting, they shall be responsible to propose motions in relation thereto, regardless of whether or not the meeting is convened by the board of directors.
- Article 21** Before the chairman of the board of directors issues the notice of the board of directors convening the shareholders' general meeting, the secretary of the board of directors may seek and collect motions from shareholders who individually hold more than 5% of the total voting rights of the Company (at the time when proposing to convene an AGM) or who individually hold more than 10% of the total voting rights of the Company (at the time when proposing to convene an extraordinary general meeting), the supervisors or independent directors and submit the same to the board of directors for consideration. Upon approval, such motions shall be treated as motions to be submitted to the shareholders' general meeting for consideration.
- Article 22** The AGM shall at least consider the following motions:
- (1) the annual report of the board of directors, including the investment plan and business strategy for the coming year;
 - (2) the annual report of the supervisory committee;
 - (3) the audited final accounts of the Company for the preceding year;

- (4) the Company's plans for profit distribution and for making up losses of the preceding year;
- (5) retaining, dismissing or ceasing to continue to retain an accounting firm.

Article 23 Shareholders who, individually or jointly, hold more than 5% of the total voting shares of the Company have the right to propose an *ex tempore* motion at the shareholders' general meeting. The Board of Directors shall examine and review the motion proposed by a shareholder in accordance with the following principles:

(1) Relevance. The board of directors shall examine and review the proposed motions on the ex facie basis, that is, all motions to be submitted or served to the board of directors or the chairman of the shareholders' general meeting shall be made in writing. The content of such motions shall comply with the requirements as stipulated in the laws, administrative regulations and the Articles and fall within the scope of business of the Company and within the functions and powers of the shareholders' general meeting. Each such motion shall also have a clear topic for discussion and a specific issue for resolution. Motions which comply with the foregoing requirements shall be submitted to the shareholders' general meeting for discussion. Motions which do not comply with the foregoing requirements shall not be submitted to the shareholders' general meeting for discussion. If the board of directors decides not to submit such motions as proposed by the shareholders to the AGM for discussion, it shall explain or state the reasons thereof at the then AGM.

(2) Procedures. The board of directors may determine procedural issues relating to proposing motions. In the event that the proposed motions are voted separately or jointly, it is necessary to obtain consent of the original proposing party in relation thereto; if the proposing party does not agree with such change, the chairman of the shareholders' general meeting may request the AGM to determine the issues on the procedures relating thereto and conduct a discussion thereof in accordance with the procedures as determined by the AGM.

Article 24 If an extraordinary general meeting or a class meeting is proposed to be convened by the supervisory committee, two or more than two shareholders who jointly hold more than 10% of the total voting shares at the proposed meeting, they may sign one copy or several copies of a written request in the same form and substance clearly specifying the topics for discussion for the meeting and at the same time submit to the board of directors a motion which complies with conditions as provided in the preceding articles of these Rules.

Article 25 A motion involving any of the following circumstances is deemed to be a change or abrogation of class rights, and the board of directors shall submit the same to a class meeting for consideration:

- (1) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;
- (2) to convert all or part of a class of shares into another class, or to convert all or part of another class of shares into that class of shares, or to grant such conversion right;
- (3) to cancel or reduce the rights in respect of dividends or the cumulative dividends attached to shares of that class;
- (4) to reduce or cancel preferential rights to dividends or to distribution of assets in the event that the Company is liquidated;
- (5) to add, cancel or reduce conversion rights, options, voting rights, transfer rights, pre-emptive rights arising from placement or the right to acquire securities of the Company attached to shares of that class;
- (6) to cancel or reduce the rights to obtain payables in specific currencies from the Company attached to shares of that class;
- (7) to create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;
- (8) to restrict the transfer or ownership rights of such class of shares or impose additional restrictions thereto;
- (9) to grant the right to subscribe for, or convert into, shares of such class of shares;
- (10) to increase the rights and privileges of shares of another class;
- (11) to conduct the proposed restructuring of the Company in such a way that may result in the holders of different classes of shares to assuming liability disproportionately;
- (12) to amend or abrogate the provisions of Chapter 9, Special Procedures for Voting by a Class of Shareholders, of the Articles.

Section 2 Notice of meeting and change

Article 26 The convenor of the shareholders' general meeting shall give notice of the shareholders' general meeting. Convenors include the board of directors and shareholders who, individually or jointly, hold more than 10% of the total voting shares of the Company.

Article 27 The meeting convenor shall give notice of the shareholders' general meeting 45 days before convening the shareholders' general meeting (including the date on which the meeting is convened) to notify shareholders whose names appear in the register of shareholders of the motions proposed to be considered and the date and place of meeting.

Notice of the shareholders' general meeting shall be given to the shareholders (whether or not having the right to vote at the shareholders' general meeting) in person or by prepaid mail. The addresses of the recipients shall be subject to such addresses as shown in the register of shareholders. For holders of domestic shares, the notice of the shareholders' general meeting may also be made by way of announcement.

The term "**announcement**" as mentioned in the preceding paragraph shall be published in one or more than one newspapers and journals as designated by China Securities Regulatory Commission within a period of 45 to 50 days before the shareholders' general meeting is convened. Once an announcement is made, all holders of the domestic shares are deemed to have received the relevant notice of the shareholders' general meeting.

In the event that the Company fails to give notice of the shareholders' general meeting as scheduled such that the shareholders' general meeting fails to convene for any reasons within six months since the end of the preceding accounting year, it shall promptly report the same to the stock exchange(s) on which the Company's shares are listed to explain the reasons therefore and make an announcement relating thereto.

In the event that a shareholders' general meeting is to be convened to examine and approve matters referred to in the Articles of Association requiring approval by the Company's public shareholders, a notice of shareholders' general meeting shall be published again within three days of the closure of the Register even though such notice may have been published before.

Article 28 The notice of the meeting of the class shareholders shall only be served to such shareholders who have the right to vote in the meeting of the class shareholders.

Article 29 The notice of the shareholders' general meeting shall meet the following requirements:

- (1) be made in writing;
- (2) specify the place, date and time for the meeting;

- (3) set out the matters to be considered in the meeting and disclose, in full, the content of all the motions being proposed. If it is necessary to change any resolutions of the preceding shareholders' general meeting, the content of the motion proposed related thereto shall be complete, and not merely list out the content of the changes; for any matter which is incorporated in "any other business" but the content of which has not been specified, it shall not be treated as a motion and no voting shall be conducted in respect of such matter at the shareholders' general meeting;
- (4) provide the shareholders such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed; this principle includes (but is not limited to) where the Company proposes to merge with the other, repurchase its shares, restructuring its share capital or undergo other reorganization, the specific terms and conditions of the proposed transactions must be provided in detail together with copies of the contracts related thereto, if any, and the causes and effect of the same must be properly explained;
- (5) if matters relating to election of directors and supervisors are proposed to be discussed at a general meeting of shareholders, detailed information concerning the candidates shall be fully disclosed in the notice of the general meeting, which shall at least include the following:
 1. personal information relating to the candidates, including educational background, work experience and all other positions undertaken on a part-time basis;
 2. whether the candidates are connected with the Company, its controlling shareholders or de facto controllers;
 3. disclosing the candidates' shareholdings in the Company;
 4. whether the candidates have been subject to any punishment by the China Securities Regulatory Commission or other relevant department or to any sanction by any stock exchange.
- (6) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager or other senior officer in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;
- (7) contain the full text of any special resolution to be proposed and approved at the meeting;

- (8) contain a clear statement that a shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more than one proxies to attend and vote at the meeting on its behalf and that such proxies need not be shareholders;
- (9) state the shareholding record date for shareholders who have the right to attend the shareholders' general meeting;
- (10) state the date and place to serve a proxy form to appoint a proxy to vote in the meeting;
- (11) state the name and contact numbers of the contact persons in connection with the meeting.

Article 30 The board of directors shall give notice of the shareholders' general meeting within 15 days after receiving a written request to convene a shareholders' general meeting from the supervisory committee which is in compliance with the requirements.

Article 31 After receiving a written request which is in compliance with the relevant requirements and which is made by shareholder(s) who, individually or jointly, hold more than 10% of the total voting shares of the Company to convene an extraordinary general meeting, the board of directors shall give notice of the shareholders' general meeting as soon as possible. Prior consent from the proposing shareholder(s) must be obtained for any change to the original motions specified therein. Once the notice is given, the board of directors shall not propose new motions and, unless obtaining prior consent from the proposing shareholder(s), shall neither change nor delay the time for convening the shareholders' general meeting.

Article 32 In the event that the board of directors does not convene a shareholders' general meeting within 30 days after receiving a written request to convene the shareholder's general meeting made by shareholder(s) who, individually or jointly, hold more than 10% of the total voting shares of the Company, the proposing shareholder(s) may convene an extraordinary general meeting on their own within 4 months after the receipt by the board of directors of such request. In the event that the proposing shareholder(s) decide to convene such meeting on their own, they shall inform the board of directors in writing, file such written notice to the local office of CSRC and the stock exchange for the record and thereafter give notice of convening the extraordinary general meeting. In addition to the general requirements governing the notice of the shareholders' general meeting, such notice shall also be subject to the following requirements:

- (1) No new item shall be added to the proposed motions. Otherwise, the proposing shareholder(s) shall resubmit to the board of directors the request to convene the shareholders' general meeting;
- (2) The meeting shall be convened at the place of domicile of the Company.

Article 33 After giving the notice of the shareholders' general meeting, the convenor shall not propose any new motion which has not been in such notice.

When the largest shareholder proposes a new motion for distribution in the shareholders' annual general meeting, he shall give notice of the motion to the board of directors ten (10) days before the annual shareholders' general meeting is held and the motion shall be announced by the board of directors. Where such ten (10) days' notice has not been given, the largest shareholder shall not propose such new motion for distribution at the annual shareholders' general meeting.

Article 34 Shareholders who intend to attend the shareholders' general meeting shall serve a written reply on attending the meeting to the Company 20 days before the meeting is convened.

The Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting based on the written replies it has received 20 days before convening the shareholders' general meeting. In the event that the number of voting shares represented by the shareholders who intend to attend the meeting is more than one-half of the total number of the voting shares of the Company, the Company may convene the shareholders' general meeting; if not, the Company shall, within 5 days, notify the shareholders again of the matters to be considered at, and the place and date for, the meeting by way of public announcement. The Company may convene the shareholders' general meeting after such announcement.

Article 35 After giving notice of the shareholders' general meeting, the shareholders' general meeting shall be convened without undue delay. In the event that the shareholders' general meeting is required to be delayed due to special reasons, the Company shall announce the notice of the delay at least 5 working days before the date originally scheduled for convening the shareholders' general meeting.

Article 36 Notwithstanding a delay of the shareholders' general meeting of the Company, the shareholding record date, as set out in the original notice, for the shareholders who have the right to attend the shareholders' general meeting shall not be changed.

Article 37 The Company shall, in accordance with the requirements stipulated by the Shanghai Stock Exchange, post all information relating to the shareholders' general meeting on the website of the Shanghai Stock Exchange at least 5 working days before convening such meeting.

Section 3 Registration of the meeting

Article 38 Shareholders may attend the shareholders' general meeting in person or appoint a proxy to attend and vote on their behalf. Directors, supervisors, secretary of the board of directors and the PRC legal counsel retained by the Company shall attend such meeting. The general manager and other senior officers of the Company shall attend such meetings as participants. Other persons being invited by the board of directors may also attend such meeting.

In order to ensure the solemnity and proper order of the shareholders' general meeting, the Company shall have the right to refuse persons other than those as set out in the preceding paragraph entry into the meeting venue.

Article 39 The Company shall be responsible for preparing an attendance register, which shall be signed by the persons who attend the meeting. The attendance register shall contain the names of the people (and/or the entity) who (or which) attend the meeting, their identity card numbers, residential addresses, information to confirm the identity of the each of the shareholders (such as the shareholder's account number), the number of voting shares held or represented, the name of the proxy (or the name of the entity which acts as the proxy) and etc.

Article 40 Contents subject to be registered by the shareholders or proxies who attend the shareholders' general meeting include:

- (1) confirmation of the identities of the shareholders or their proxies;
- (2) the requests to speak together with a description of the content of the speeches, if any;
- (3) the number of votes which the shareholders or their proxies may exercise in accordance with the number of shares they held/represented;
- (4) new motions, if any.

Article 41 If a natural person shareholder attends the meeting in person, he shall present his identity card and provide materials that enable the Company to confirm his status as a shareholder; if he appoints a proxy to attend the meeting, such proxy shall present his identity card, the proxy form signed by the principal, and provide materials that enable the Company to confirm the principal's status as a shareholder.

Article 42 A legal person shareholder shall attend the meeting via its legal representative or a proxy authorized by the legal representative/board of directors/other decision-making authority. In the event of attending the meeting via its legal representative, he shall present his identity card, valid proof evidencing his qualification as legal representative, and provide materials that enable the Company to confirm its status as a legal person shareholder. In the event of attending the meeting via a proxy authorized by the shareholder, such proxy shall present his identity card, a written proxy form issued according to law by the legal representative/board of directors/other decision-making authority of the principal or a notarised copy of the authorization resolved by the board of directors or other competent authority of the legal person shareholder, and provide materials that enable the Company to confirm its status as a legal person shareholder.

Article 43 Shareholders shall appoint their proxies in writing. The content of such written proxy form shall state the following:

- (1) name of the proxy;
- (2) the number of shares represented by the relevant proxy on behalf of the principal;
- (3) whether or not the proxy has the right to vote;
- (4) instruction to vote “for”, “against” or “abstention” in respect of each matter on the agenda of the shareholders’ general meeting;
- (5) whether or not the proxy has the right to vote in connection with the *ex tempore* motions which may be put on the agenda of the shareholders’ general meeting and, if so, specific instructions on how to exercise such voting right;
- (6) the date of signing and the term for such proxy form;
- (7) signature (or seal) of the principal or its proxy who is appointed in writing and, where the principal is a legal person, the official stamp of such legal person together with the signature of its director or its duly appointed agent.

The proxy form shall expressly state that the proxy entrusted by the shareholders may cast vote at its own discretion in the absence of any specific instruction from the shareholder.

Article 44 The proxy form shall be lodged at the place of domicile or such place as specified in the notice of convening the meeting at least 24 hours before convening the meeting for which votes will be cast under the proxy form or 24 hours before the specified voting time. In the event that such proxy form is caused to be signed under an power of attorney issued by the principal, such power of attorney or other authorization documents related thereto shall be notarised. The notarised power of attorney and authorization documents together with the proxy form shall be lodged at place of domicile or other place as specified in the notice of convening the meeting.

Article 45 Shareholders attending the shareholders' general meeting shall be registered. The following documents shall be provided respectively for the purposes shareholders' registration at the meeting:

(1) Natural person shareholders: their identity cards and provide materials that enable the Company to confirm his status as a shareholder shall be presented; in case of attending the meeting by proxies, such proxies shall present their identity cards, the proxy forms, and provide materials that enable the Company to confirm the principal's status as a shareholder.

(2) Legal person shareholders: their identity cards together with the valid proofs evidencing their qualification to act as legal representatives , and provide materials that enable the Company to confirm its status as a legal person shareholder; in case of attending the meeting by proxies, such proxies shall present their identity cards, proxy forms issued by the legal representatives of the legal person shareholders according to law or notarised copies of the authorization resolved by the board of directors or other decision-making bodies of the legal person shareholders, and provide materials that enable the Company to confirm its status as a legal person shareholder.

Article 46 The convenor and the legal advisers retained by the Company shall jointly verify the eligibility of the shareholders to vote based on the Company's shareholder register provided by the securities registration and clearing authority and shall register the name of the shareholders together with the numbers of voting shares in their possession. Registration shall come to a close before the chairman of the meeting announces the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote.

Article 47 Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote. The number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote shall be determined in accordance with the Company's shareholder register.

Article 48 In the event that a shareholder or its proxy requests to speak at the shareholders' general meeting, it shall register with the Company before convening the shareholders' general meeting. The number of persons registered to speak at the meeting shall be limited to 10. In the event that there are more than 10 speakers, the first ten shareholders with the largest shareholdings shall have the right to speak. The priority to speak shall be arranged according to the shareholdings in such a way that shareholder with the largest shareholding shall have the first priority.

Article 49 In the event of convening a shareholders' general meeting, the supervisors, more than one-half of the number of independent directors and shareholders who, individually or jointly, possess more than 5% of the total voting shares of the Company may propose new motions with the Company for registration. The chairman of the meeting may, in accordance with Article 23 hereof, determine whether or not to put such newly proposed motions as proposed by the shareholders on the meeting agenda.

In the event of convening an extraordinary general meeting, the Company shall not accept registration of the new motions and the chairman of the meeting shall not add such new motions into the meeting agenda.

Section 4 Convening the meeting

Article 50 Conditional upon the legality and validity of the shareholders' general meeting as ensured by the Company, various ways and methods including the use of contemporary information techniques such as the setting up of a voting platform by means of internet will be adopted, in order to extend the proportion of public shareholders who can participate in the shareholder's general meeting.

Article 51 The chairman of the board of directors shall preside over, and act as chairman of, the shareholders' general meeting; if for any reason the chairman of the board of directors is unable to attend the meeting, the vice chairman of the board of directors shall become the chairman of the meeting.

In the event that both the chairman and the vice chairman of the board of directors are unable to attend the meeting and the chairman has not appointed any other director as chairman of the meeting, the board of directors may appoint a director of the Company to become the chairman of the meeting; in the event that the board of directors has not appointed the chairman of the meeting, shareholders attending the meeting may elect one person among them to become the chairman of the meeting; in the event that shareholders are for any reason unable to elect a chairman, the shareholder who attends the meeting with the highest number of voting shares (including his proxy) shall then become the chairman of the meeting.

Article 52 Where shareholders individually or jointly holding more than 10% of the Company's voting shares of their own motion decide to convene an extraordinary general meeting, the board of directors and secretary to the board of directors shall earnestly perform their duties. Directors and supervisors shall attend the meeting, and the secretary to the board of directors must attend the meeting to ensure the meeting is held in proper order. The meeting shall be presided over by the Chairman, who shall also act as the chairman of the meeting. If the Chairman is unable to attend the meeting for any reason, the Vice Chairman shall act as the chairman of the meeting. If both the Chairman and Vice Chairman are unable to attend the meeting and the Chairman has not designated a person to act as chairman of the meeting, the board of directors may designate a director of the Company to so act. If the board of directors is unable to designate a director to chair the shareholders' general meeting, the proposing shareholder shall take the chair after filing a report with the branch of the securities regulatory authority of the State Council of the locality of the Company.

Article 53 The chairman of the meeting may, being aware that all persons attending the meeting are in compliance with the legal requirements and that the registration on new motions and shareholders' request to speak are completed, declare the meeting to convene at the time as scheduled in the notice, or at a later time in the event of any of the following circumstances:

- (1) when the equipment placed at the meeting venue is out of order such that the meeting cannot proceed as usual;
- (2) when any matters of material importance take place affecting the proceeding of the meeting.

Article 54 After the chairman of the meeting has declared the meeting officially open, he shall first announce that the number of shareholders attending the meeting and the number of shares represented by such shareholders are in compliance with the legal requirements. Thereafter, he shall read out the agenda as set out in the notice and inquire whether or not the shareholders attending the meeting have any objection to the voting order for the motions. If the meeting convened is an AGM, the chairman of the meeting shall also inquire whether or not the supervisory committee, more than one-half of the number of independent directors or shareholders who, individually or jointly, hold more than 5% of the total voting shares of the Company need to submit new motions. In the event that a shareholder submits a new motion, the chairman of the meeting shall decide whether or not to accept such motion in accordance with Article 23 hereof.

In the event that the board of directors or the chairman of the meeting determines not to put such motions as proposed by the supervisory committee or the shareholders on the agenda of the AGM, an explanation or description relating thereto shall be given during such AGM.

At an extraordinary general meeting, no person shall have the right to request consideration of any new motion which has not been contained in the notice of the shareholders' general meeting.

Article 55 After the chairman of the meeting finishes his inquiries on the meeting agenda, he may start to read the motions or authorise a person to read them out and, when necessary, make an explanation on the motions in accordance with the following requirements:

- (1) in the event that the motion is proposed by the board of directors, the chairman of the board of directors or other persons entrusted by him shall make an explanation in relation thereto;
- (2) in the event that the motion is proposed by the supervisory committee or shareholders who, individually or jointly, hold more than 5% of the total voting shares of the Company, the said person or its legal representative or a proxy who is lawfully and validly authorized by a shareholder shall give an explanation in relation thereto.

Article 56 Motions which are included on the meeting agenda shall be considered before voting. Each motion shall be given a reasonable time for discussion during the shareholders' general meeting. The chairman of the meeting shall orally inquire whether shareholders attending the meeting have finished considering such motions. In the event that the shareholders attending the meeting have no objection in connection therewith, consideration of the motions shall be deemed completed.

Article 57 No shareholder shall speak more than twice without the consent from the chairman of the meeting. He may not speak for more than 5 minutes for the first time and 3 minutes for the second time.

A shareholder requesting to speak shall not interrupt a person from presenting his report or interrupt other shareholders from making their speech.

Article 58 Shareholders may query the Company during the shareholders' general meeting. The chairman of the meeting shall direct the directors, supervisors or senior officers to respond to or provide explanations in connection with queries raised by shareholders, except questions relating to the commercial secrets of the Company which shall not be disclosed during the shareholders' general meeting.

At the annual general meeting of shareholders, the board of directors and the supervisory committee shall report on their work for the previous year. Each of the independent directors shall also report on their work.

Article 59 The board of directors of the Company together with other convenors shall adopt necessary measures to maintain the normal order of the general meeting of shareholders. Measures shall be taken to stop any act which interferes with or causes nuisance at a general meeting and any act which infringes the lawful interests of the shareholders. Timely report of these acts shall be made to the relevant authority for investigation.

Section 5 Voting and resolutions

Article 60 Shareholders' general meetings shall pass resolutions on specific motions.

Article 61 Matters not covered in the notice of an extraordinary shareholders' general meeting shall not be resolved upon at the meeting. In the course of considering the content of the motions as set out in the notice of extraordinary general meeting, no alteration shall be made to motions relating to the following issues:

- (1) an increase or reduction of the registered capital;
- (2) the issuance of corporate bonds;
- (3) division, merger, dissolution or liquidation of the Company;
- (4) amendments to the Articles of Association;
- (5) plans for profit distribution and for making up losses of the Company;
- (6) appointment or removal of the members of the board of directors and supervisory committee;
- (7) changes in the use of proceeds from share offerings;
- (8) connected transactions which are subject to be considered during the shareholders' general meeting;
- (9) matters relating to the acquisition or sale of assets which are subject to be considered during the shareholders' general meeting;
- (10) dismissal of the accounting firm.

Any change of the foregoing shall be deemed to be a new motion, which shall not be voted at the then shareholders' general meeting.

The shareholders' general meeting shall vote on all motions that are put on the agenda one-by-one. Voting of the same shall neither be put on hold nor be refused for any reason. In the event that different motions are proposed for the same matters, voting on such motions shall be conducted based on the order of the time of proposing such motions to the shareholders' general meeting.

Article 62 The chairman of the meeting is obliged to demand a poll on the motions at the shareholders' general meeting (by open ballot). Unless a poll is demanded by the chairman of the shareholders' general meeting, at least 2 shareholders or proxies having the right to vote, or one or more shareholders (including the proxies thereof) individually or jointly holding more than 5% of the total voting shares of the Company, voting in the shareholders' general meeting shall be conducted by a show of hands.

Each shareholder or its proxy shall exercise its voting right on the basis of the number of the voting shares represented. Except for voting on the motions in connection with the election of directors, which shall be conducted by way of cumulative voting, in accordance with the Articles, each share shall have the right to one vote.

Article 63 Each vote can only be exercised once either physically at a meeting, via internet or through other permitted means. If the same vote is exercised more than once, only the first vote will be accounted for.

Shareholders of the Company or their proxies who cast their votes via internet or through other permitted means shall have the right to monitor the voting results by the corresponding voting platform.

Article 64 The cumulative voting method shall be adopted for voting on motions in connection with the election of directors at the shareholders' general meeting in accordance with the Articles. The main contents of the cumulative voting system are as follows:

- (1) The cumulative voting method must be adopted where the number of directors to be elected are more than two;
- (2) When the cumulative voting method is adopted, each of the shares held by a shareholder shall carry the same voting right as to the number of directors to be elected;
- (3) The notice of the shareholders' general meeting shall notify shareholders of the adoption of the cumulative voting method for electing directors. The meeting convenor must prepare such ballot papers as are suitable for carrying out the cumulative voting method and specify and explain, in writing, the method for casting cumulative votes, completing the ballot paper and calculating the votes;

- (4) When voting on directors candidates at a shareholders' general meeting, a shareholder may exercise his voting right by spreading his votes evenly and for each of the directors candidates casting the number of votes corresponding to the number of shares he holds; or he may exercise the voting rights in a way to concentrate his votes on a particular director candidate by casting the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors to be elected;
- (5) Once a shareholder exercises his voting right by focusing his votes on one director or several directors while the number of voting rights carried by each of his shares is the same as the number of directors to be elected, he shall have no right to vote on other directors' candidates;
- (6) In the event that the total number of the votes cast by a shareholder on one or several directors exceeds the voting right represented by total number of shares he holds, the votes cast by such shareholder shall be invalid and he is deemed to abstain from voting; in the event that the total number of the votes cast by a shareholder on one or several directors is less than the voting rights represented by the total number of shares he held, the votes cast by such shareholder shall still be valid and the voting rights attached to the shortfall between the votes actually cast and the votes which such shareholder is entitled to cast shall be deemed to have been waived by him;
- (7) In the event that the number of affirmative votes received by a director candidate exceeds one-half of the total number of shares with voting rights represented by the shareholders attending the shareholders' general meeting (on the basis of the total number of shares if cumulative voting is not adopted) and the number of affirmative votes exceeds the number of opposing votes, such candidate shall be the elected candidate. In the event that the number of the elected candidates exceeds the number of directors required to be elected in the shareholders' general meeting, the candidate who wins the largest number of affirmative votes shall be the elected candidate (provided that in cases where elected candidates receiving affirmative votes win the same number of affirmative votes such that the number of candidates elected would exceed the number of directors required to be elected, then such candidates shall be treated as having not been elected); in the event that the number of elected candidates is less than the number of directors required to be elected, a new round of voting shall be held for the remaining vacancies until the election of all the directors required to be elected is completed;

- (8) Where the general meeting holds a new round of election for directors in accordance with the requirements set out in paragraph (7) above, the cumulative votes of the shareholders shall be re-calculated based on the number of directors elected in each round of election.
- (9) Independent Directors and other members of the Board of Directors shall be elected separately.

Article 65 In considering the motions in connection with the election of directors or supervisors at a shareholders' general meeting, voting shall be conducted on each of the candidates for director or supervisor one by one.

Article 66 Resolutions of the shareholders' general meeting shall be classified as ordinary resolutions and special resolutions.

- (1) Ordinary resolutions
 - 1. An ordinary resolution at a shareholders' general meeting shall be passed by votes representing more than one-half of the voting rights represented by the shareholders (including proxies authorized by the shareholders) attending the meeting.
 - 2. The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:
 - (i) working reports of the board of directors and the supervisory committee;
 - (ii) plans for profit distribution and recovery of losses prepared by the board of directors;
 - (iii) matters relating to methods of appointment and removal of the members of the board of directors and the supervisory committee, their remuneration, payment methods and liability insurance;
 - (iv) the annual budget, balance sheet, profit and loss statements and other financial statements of the Company;
 - (v) annual reports of the Company;
 - (vi) matters other than those required by law, administrative regulations or the Articles to be adopted by special resolutions.

(2) Special resolutions

1. A special resolution at a shareholders' general meeting shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies authorized by the shareholders) attending the meeting.
2. The following matters shall be resolved by a special resolution at a shareholders' general meeting:
 - (i) an increase or reduction of the share capital of the Company and the issue of any class of shares, warrants and other similar securities;
 - (ii) issuance of corporate bonds;
 - (iii) division, merger, dissolution or liquidation of the Company;
 - (iv) amendment to the Articles of Association;
 - (v) the Company's significant acquisition or disposal of material assets or provision of guarantees conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;
 - (vi) share incentive schemes; and
 - (vii) any other matter, being considered at a shareholders' general meeting by way of an ordinary resolution, which may have a material impact on the Company and which is necessary to be adopted by a special resolution.

Article 67 The following issues shall require approval by the shareholders' general meeting of the Company, and the approval by the public shareholders holding more than one half of the total voting rights of the shares giving that right, who are present at the meeting, in order to take effect or to submit for application:

- (1) the issuance of new shares to the public shareholders of the Company (including overseas-listed foreign shares or other title certificates with nature similar to shares, except for the overseas-listed foreign shares that are, upon approval at the shareholders' general meeting by way of a special resolution issued by the Company at a 12-month interval with a volume not exceeding 20% of the foreign shares in issue), issuance of convertible bonds of the Company or placing of shares to existing shareholders (other than those promised to be fully subscribed by the Controlling Shareholder in cash prior to the meetings);
- (2) major asset reorganization of the Company, pursuant to which the total amount of assets purchased has exceeded the audited net nominal value of the assets purchased by 20% or above;
- (3) the repayment of debts owed to the Company with the equities held by the shareholders in the Company;
- (4) the foreign listing of the subsidiaries of the Company which has a material effect on the Company;
- (5) any relevant matter which has a material effect on the interests of the public shareholders during the development of the Company.

Article 68 Affected class shareholders shall have the right to vote on matters involving sub-paragraphs (2) to (8) and (11) to (12) of Article 25 hereof, regardless of whether or not they originally have the right to vote at the class meeting for class shareholders; provided that interested shareholders shall not have any right to vote at the class meeting for the class shareholders.

The term "**interested shareholders**" mentioned in the preceding paragraph shall mean:

- (1) In the event that the Company repurchases its own shares by way of a general offer to all shareholders in proportion to their respective shareholdings or through a public dealing on a stock exchange in accordance with Article 30 of the Articles, "interested shareholders" means such controlling shareholders as defined in Article 57 of the Articles;

- (2) In the event that the Company repurchases its own shares by a off-market agreement in accordance with Article 30 of the Articles, “interested shareholders” means the shareholders to whom such agreement relates;
- (3) Under the proposed restructuring of a Company, “interested shareholders” means the shareholders who assume the liability thereof in a proportion less than that assumed by other holders of the same class of shares or who have a different interest to other holders of the same class of shares.

Article 69 A resolution of the class shareholders at a class meeting shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders attending the class meeting in accordance with the preceding article.

The special procedures for voting by class shareholders shall not apply to the following circumstances: where upon approval by a special resolution at a shareholders’ general meeting, the Company issues, either separately or simultaneously, once every 12 months domestic shares and overseas-listed foreign-invested shares not exceeding 20% of their respective issued and outstanding shares.

Article 70 In the course of considering matters relating to the connected transactions at a shareholders’ general meeting, the connected shareholders shall abstain from voting. The voting rights represented by the number of shares of such shareholders shall be excluded from the total number of valid votes. The voting result of the non-connected shareholders shall be fully disclosed in the announcement of the resolution of the shareholders’ general meeting.

Article 71 Shareholders shall, as required, carefully complete the ballot papers and put such ballot papers into a ballot box. Any ballot paper which is left blank or is not duly completed or the handwriting thereon is found to be illegible or which is not cast shall deemed to be an abstention of voting by the shareholder and the votes represented thereon shall not be counted in the total number of valid votes.

Article 72 Before a resolution is decided on a motion at a general meeting of shareholders, two representatives of the shareholders shall be nominated to participate in counting the votes as well as supervising the counting process. If a shareholder is interested in the matters under consideration, the relevant shareholder and his proxies shall not participate in counting the votes or supervising the counting process.

At the time of deciding on a motion by voting at a general meeting, legal advisers, representatives of shareholders and representatives of supervisors shall participate in counting the votes as well as supervising the counting process. They shall announce the voting results to the meeting. The voting results in connection with the resolution shall be recorded in the minutes.

Article 73 The chairman of the meeting shall be responsible for deciding whether or not a resolution is passed by the shareholders' general meeting according to the results of the vote counting as confirmed by legal advisers, representatives of shareholders and representatives of supervisors. The chairman's decision shall be final and shall be announced at the meeting and recorded in the minutes.

Article 74 Minutes of a general meeting of shareholders shall be kept. Minutes of general meetings should set out the following:

- (1) the date and venue for convening the meeting, meeting agenda and the name of the convenor;
- (2) the name of the chairman of the meeting as well as those of the directors, supervisors, general manager and other senior officers who attend the meeting as attendees and participants;
- (3) the number of shareholders and proxies attending the meeting, the total number of voting shares represented by the shareholders who are entitled to vote; the proportion of the number of voting shares represented by the shareholders who are entitled to vote out of the total number of shares of the Company; the number of voting shares represented by public shareholders holding domestically listed shares (including their proxies) and the number of voting shares represented by shareholders holding non-circulating shares (including their proxies) and their respective proportions out of the total number of shares of the Company; the individual voting results for each motion of the public shareholders holding domestically listed shares and shareholders holding non-circulating shares;
- (4) a description of the considerations taken for each motion, the main points put forward by each speaker relating thereto and the voting results thereof;
- (5) details of queries and recommendations of the shareholders and the corresponding response or explanation in relation thereto;
- (6) the names of the legal advisers and persons responsible for counting the votes and for supervising the counting process;
- (7) other contents which should be recorded in the minutes as provided for in the Articles.

The convenor shall ensure that the content of the minutes shall be true, accurate and complete. Minutes shall be signed by attendees of the meeting, including the directors, supervisors, secretary of the board of directors, convenor or its representative and the chairman of the meeting. Minutes shall together with the register relating to shareholders present at the meeting in person and by proxy by way of issuing a proxy form or via internet or other permitted means, be kept by the Company at the Company address for an indefinite period of time.

Article 75 A general meeting of shareholders shall not be declared closed for shareholders who attend in person at a time earlier than for those shareholders who attend via internet or other permitted means. The chairman of the meeting shall announce to the meeting the voting details and results of each motion and shall declare whether or not a motion is adopted on the basis of the relevant voting results.

Prior to announcing the voting results, all those who are involved in the meeting whether in person or via internet or other permitted means, including any companies, persons responsible for counting the votes, persons responsible for supervising the counting process, internet service providers and other relevant parties shall have the obligation to keep matters related to voting confidential.

Article 76 The board of directors of the Company shall retain, according to law, legal advisers to attend the shareholders' general meeting and to advise the Company on the following issues which shall be incorporated into the shareholders' resolutions for announcement purposes:

- (1) whether the procedures for convening and holding a shareholders' general meeting comply with the requirements of the laws and regulations and the Articles;
- (2) whether attendees or the convenor of a general meeting meet the requisite legal requirements;
- (3) verification of the eligibility of the shareholders who propose new motions at the general meeting;
- (4) whether the voting procedures for and the voting results of the general meeting are lawful and valid;
- (5) issuance of any legal opinions on other relevant issues at the request of the Company.

For an extraordinary general meeting chaired by the proposing shareholder, such proposing shareholder shall, according to law, retain a lawyer to issue the attested legal opinion as provided in the preceding paragraphs. The procedures for convening the said meeting shall also comply with the relevant requirements of the laws and regulations and these Rules.

Section 6 Adjournment of meeting

Article 77 The board of directors of the Company shall ensure that the shareholders' general meeting is held continuously within a reasonable office hours until reaching the final resolutions.

Article 78 If, in the course of the meeting, disputes arising out of the identity of any shareholder or the results of the calculation of the votes and so on cannot be resolved on site in such a way that the order of the meeting is affected and the meeting cannot proceed as usual, the chairman shall declare an adjournment of the meeting.

If the foregoing circumstances cease to exist, the chairman of the meeting shall notify the shareholders of the resumption of the meeting as soon as possible.

Article 79 In the event that the shareholders' general meeting has been adjourned for more than one working day due to event of force majeure or other unforeseeable reasons such that the meeting fails to convene as usual or fails to reach any resolution, the board of directors of the Company shall explain to the stock exchange the reasons and make an announcement. The board of directors of the Company is obliged to take necessary measures to resume the shareholders' general meeting as soon as possible.

Section 7 Post-meeting issues and announcement

Article 80 The secretary of the board of directors shall be responsible for submitting the relevant materials including minutes and resolutions to the relevant regulatory authorities and making an announcement in the designated media in accordance with the relevant laws and regulations and as required by China Securities Regulatory Commission and the stock exchanges upon which the shares of the Company are listed.

Article 81 The number of shareholders (or their authorized proxies) attending the meeting, ratio of the number of shares held by such shareholders (or represented by such proxies) to the total number of voting shares of the Company, the voting method and the results of the polls for every motion shall be stated clearly in the announcement of the resolutions of the shareholders' general meeting. For resolutions of a motion proposed by a shareholder, the name and the shareholding of the proposing shareholder together with the contents of the motion shall be specified. In the event that a motion proposed by a shareholder has not been included in the agenda of the AGM, an announcement on the content of the motion and a statement made by the board of directors and the chairman of the meeting during the AGM shall be made together with the resolutions of the shareholders' general meeting.

In the event that the board of the directors or the chairman of the meeting decides not to include the motion proposed by the supervisory committee or the independent directors or the shareholders into the agenda of the AGM, the board of directors or the chairman of the meeting shall explain and specify the reasons during the AGM. The content of such motion and the statement made by the board of directors or the chairman of the meeting shall, together with the resolutions of the shareholders' general meeting, be announced after the shareholders' general meeting.

In the event that a motion in connection with the meeting has not been adopted or the resolutions of the preceding shareholders' general meeting have been changed at the current shareholders' general meeting, the board of directors shall specify the same in the announcement of the resolutions of the shareholders' general meeting.

The announcement of the resolutions of the shareholders' general meeting shall be published in the designated newspapers and on the Company's website.

Article 82 The secretary of the board of directors shall be responsible for keeping written materials, including the register of the attendees of the meeting, the proxy forms, statistical information relating to the voting, legal opinion issued by the lawyer, announcement of resolutions and etc.

Article 83 If a motion in respect of the distribution of cash or bonus shares, or in connection with the capital increase by conversion from common reserve funds, is adopted at a general meeting of shareholders, the Company shall implement such distribution within two months of the relevant general meeting.

CHAPTER V SUPPLEMENTARY PROVISIONS

Article 84 These rules shall become effective after being adopted by the shareholders' general meeting.

Article 85 Any modification to these Rules shall be made by way of amendments proposed by the board of directors and submitted to the shareholders' general meeting for approval.

Article 86 The board of directors shall be responsible for the interpretation of these Rules.

Article 87 In the event that any matter not covered herein contradicts the requirements of the law, administrative regulations or other relevant regulatory documents as promulgated from time to time, such laws, administrative regulations or other relevant regulatory documents shall prevail.

RULES OF PROCEDURE FOR BOARD OF DIRECTORS' MEETINGS

CHAPTER I GENERAL PROVISIONS

Article 1 In order to ensure that the board of directors (hereinafter referred to as the "**Board**") of Sinopec Shanghai Petrochemical Company Limited (hereinafter referred to as the "**Company**") fulfils its duties and responsibilities conferred by the shareholders as a whole and is able to carry out discussions efficiently and make resolutions in a scientific, prompt and prudential manner and in order to standardize the operating procedures of the Board, these Rules are formulated in accordance with the laws, rules and regulations governing the listed companies within and outside China, including Company Law of the People's Republic of China, the Mandatory Provisions for Articles of Association of Companies Listed Overseas, the Guidelines on the Articles of Association of Listed Companies, the Standards on Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and the Articles and Association of the Company (hereinafter referred to as the "**Articles**").

CHAPTER II COMPOSITION OF THE BOARD OF DIRECTORS AND ITS SUBORDINATE OFFICES

Article 2 The Board shall consist of 12 directors, including one chairman and one or two vice-chairmen.

The Board shall appoint one or more directors as executive directors. The executive directors committee shall handle the matters as delegated to them by the Board.

Article 3 The Board shall establish strategy, audit, nomination, remuneration, evaluation and other special committees. These special committees shall consider specific matters and give their opinions and proposals for the Board's reference when the Board make decisions.

Any of these special committees shall comprise directors only and the majority of their members shall be independent directors. The members of the audit committee shall be selected from non-executive directors and the majority of them shall be independent directors, at least one of which shall be an accounting professional.

Each specialist committee shall have the following basic responsibilities:

- (1) Major responsibilities of the audit committee are:
 - (i) to propose the engagement or removal of external auditor;
 - (ii) to oversee the internal audit system of the Company and its implementation;
 - (iii) to be responsible for the communications between the internal auditor and the external auditor;
 - (iv) to examine and verify the financial information of the Company and the disclosure thereof; and
 - (v) to examine the internal control system of the Company.

- (2) Major responsibilities of the remuneration committee are:
 - (i) to consider the standards of evaluation of directors, general manager and other senior officers, to conduct evaluation and to provide recommendations in connection therewith; and
 - (ii) to consider and develop the remuneration policies and proposals for the directors, general manager and other senior officers.

Article 4 Each of these special committees under the Board shall formulate its own detailed work rules which shall come into effect upon approval by the Board.

CHAPTER III FUNCTIONS, POWERS AND AUTHORITY OF THE BOARD OF DIRECTORS

Article 5 The Board shall be responsible to the shareholders' general meeting and exercise the following functions and powers:

- (1) to be responsible for convening shareholders' general meetings and report on its work to the shareholders' general meetings;
- (2) to implement the resolutions passed at the shareholders' general meetings;
- (3) to determine the Company's business plans and investment plans;
- (4) to prepare the Company's annual preliminary and final financial budgets;

- (5) to prepare the Company's profit distribution and loss recovery plans;
- (6) to prepare the Company's financial policies, Company's registered capital increase or decrease plans, and schemes for issue and listing of the Company's bonds and securities of any kind (including but not limited to the Company's debentures) or repurchase of the Company's shares;
- (7) to prepare plans for major acquisitions or disposals, and for the merger, division, dissolution or changing of the form of the Company;
- (8) to decide on matters relating to foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted asset management and connected transactions by the Company within the scope of authority conferred by the general meeting;
- (9) to decide the establishment of the Company's internal management bodies;
- (10) to appoint or remove the Company's general manager; appoint or remove the Company's deputy general managers and chief financial officer according to the nomination by the general manager; appoint or remove the secretary of the Board; and determine their remuneration;
- (11) to appoint or replace the members of the board of directors and the supervisory committee of the Company's wholly-owned subsidiaries; appoint, replace or recommend shareholder's proxies, directors (candidates) and supervisors (candidates) of the subsidiaries controlled or participated in by the Company by shareholding;
- (12) to determine the establishment of the Company's branches;
- (13) to prepare proposals for any amendment to the Articles;
- (14) to formulate the Company's basic management rules and regulations;
- (15) to manage the disclosure of information of the Company;
- (16) to propose at the shareholders' general meeting to engage or replace the accounting firm which undertakes auditing work of the Company;
- (17) to listen to the work report of the Company's general manager and inspect the work of the general manager;

- (18) to make decisions about major matters and administrative affairs other than those which should be decided by the Company's general meeting in accordance with laws, administrative regulations and the Articles, and executing other important agreements;
- (19) other functions and powers stipulated by laws, administrative regulations or the Articles and granted by the shareholders' general meeting.

Article 6 Necessary conditions for the performance of duties by the Board:

The general manager shall provide all directors with necessary information and data so that the Board can make its decisions in a scientific, rapid and prudential manner. A proper introduction related to the Company's affairs shall be given to the newly-appointed directors.

A director may request the general manager or, through the general manager, the relevant department of the Company to provide information and explanations necessary for them to make decisions in a scientific, rapid and prudential manner. The Company shall note in particular that the Company must take steps to answer the questions of non-executive directors, if any, as soon and completely as possible.

Any independent director may engage independent institutions to provide independent opinions as the basis of their decision if they consider necessary. The Company shall arrange the engagement of such independent institutions and bear the expenses incurred therefrom.

Article 7 The board of directors shall examine and resolve on the matters which the board of directors is required by laws, administrative rules, regulations of the competent government department(s) and the Articles of Association to submit to the shareholders in general meetings for determination (including matters proposed by two or more than half of the independent directors).

The board of directors shall examine the provisional motions put forward by shareholders individually or jointly holding more than 5% of the Company's voting shares at the shareholders' annual general meeting (the "AGM") according to the standard of "relevance" as set out in the Rules of Procedure for Shareholders' General Meetings, and to decide whether to submit the provisional motions to the AGM for examination.

Article 8 In order to ensure and improve the soundness and efficiency of the day-to-day operation of the Company, the Board may, pursuant to the provisions of the Articles and the authority conferred by the shareholders' general meeting, delegate explicitly and with limitations the executive director committee and general manager to exercise their functions and powers to decide investment plans and asset disposal, formulate the Company's financial strategies and determine the management structure.

Article 9

The powers and authorities of the Board regarding investments shall be as follows:

- (1) The Board shall be responsible for examining the Company's medium- to long-term investment plans and submitting them to the shareholders' general meeting for approval;
- (2) The Board shall be responsible for examining the Company's annual investment plans and submitting them to the shareholders' general meeting for approval. The Board may adjust the capital expenditure amount for the current year within 15% and may delegate the executive directors committee to adjust the capital expenditure amount of the current year within 8%;
- (3) Individual investment projects (including but not limited to projects involving fixed assets and external equity) shall be examined and approved by the Board where the investment amount is not more than 5% of the Company's latest audited net asset value. The Board may, within the scope of its authority, delegate to the executive directors committee the authority to examine and approve any project with an investment amount less than RMB 50,000,000 and delegate the general manager to examine and approve any project less than RMB 5,000,000;
- (4) In the event that the Company utilizes its own assets to conduct risk investments (including, but not limited to, bonds, futures and shares) in any industry which is not related to the business of the Company, the Board shall examine and approve any such individual investment with an investment amount not more than 2% of the latest audited net assets value of the Company. The Board may, within the scope of its authority, delegate to the executive directors committee the authority to examine and approve any risk investment project less than RMB 50,000,000 and delegate to the authority general manager to examine and approve any risk investment project less than RMB 5,000,000.

Article 10

Power and authorities of the Board in relation to non-connected transactions:

- (1) When entering into any non-connected transaction as referred to in the “Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange” not requiring the examination and approval of the Company’s shareholders’ general meeting, the Company shall calculate the following five test indicators: (i) *total assets ratio*: derived from dividing the total value of the assets (the higher of book value and appraised value) involved in the transaction by the latest audited total assets value of the Company; (ii) *transaction value ratio*: derived from dividing the consideration of the transaction (taken into the account of the indebtedness and expenses incurred) by the latest audited total net assets value of the Company; (iii) *profit ratio*: derived from dividing the absolute value of the profit derived from the transaction by the absolute value of the latest audited net profit of the Company; (iv) *ratio of income from principal operations*: derived from dividing the absolute value of the income derived from the relevant principal operations which is the subject of the transaction for the latest financial year by the absolute value of the income from principal operations of the Company for the latest financial year; (v) *ratio of net profit derived from the subject of the transaction*: derived from dividing the absolute value of the net profit for the latest financial year relating to the subject of the transaction by the absolute value of the audited net profit of the Company;
- (2) The Board shall examine and approve any transaction of which the total assets ratio as set forth in (i) of paragraph (1) above is not less than 10%, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 1%, and shall authorize the general manager to examine and approve any transaction of which the ratio is less than 1%.
- (3) The Board shall examine and approve any transaction of which the transaction value ratio as set forth in (ii) of paragraph (1) above is not less than 10% and the absolute value of the transaction amount is not less than RMB10 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the transaction amount is less than RMB10 million and not less than RMB5 million, and shall authorize the general manager to examine and approve any transaction of which the ratio is less than the limit on the power of the executive director committee.

- (4) The Board shall examine and approve any transaction of which the ratio of profit derived from the transaction as set forth in (iii) of item (1) above is not less than 10% and the absolute value of the profit derived from the transaction is not less than RMB1 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the profit derived from the transaction is less than RMB1 million and not less than RMB0.5 million, and shall authorize the general manager to examine and approve any transaction of which the ratio is less than the limit on the power of the executive director committee.
- (5) The Board shall examine and approve any transaction of which the ratio of income from principal operations as set forth in (iv) of item (1) above is not less than 10% and the absolute value of the transaction amount is not less than RMB10 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the income from principal operations for the latest financial year of the subject of the transaction is less than RMB10 million and not less than RMB5 million, and shall authorize the general manager to examine and approve any transaction of which the ratio is less than the limit on the power of the executive director committee.
- (6) The Board shall examine and approve any transaction of which the ratio of net profit derived from the subject of the transaction as set forth in (v) of item (1) above is not less than 10% and the absolute value of the net profit from the subject of the transaction is not less than RMB1 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the net profit derived from the subject of the transaction is less than RMB1 million and not less than RMB0.5 million, and shall authorize the general manager to examine and approve any transaction of which the ratio is less than the limit on the power of the executive director committee.

Article 11

Limits on the power and authorities for decisions in relation to assets transactions:

In the course of carrying out a fixed assets transaction, if the sum of the estimated value of the fixed assets proposed to be transacted and the value derived from the fixed assets which have been transacted within four months prior to such proposed transactions does not exceed 33% of the value of the fixed assets as shown in such balance sheet as being considered at the most recent shareholders' general meeting, the Board shall be entitled to make the relevant decisions. The board of directors shall be authorized to consider and approve any acquisition or disposal of assets conducted by the Company within the period of one year with a value below 30% of the latest audited total assets of the Company.

Article 12 Power and authorities in relation to connected transactions:

- (1) With respect to any connected transaction as referred to in the “Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange” being entered into with connected legal persons not requiring to be voted upon and passed at the shareholders’ general meeting, the Company’s board of directors shall approve any transaction with an amount of more than RMB3 million and accounting for more than 0.5% of the absolute value of the latest audited net assets of the Company, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than the limit on the power of the Board.
- (2) With respect to any connected transaction as referred to in the “Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange” being entered into with connected natural persons not requiring to be voted upon and passed at the Shareholders’ General Meeting, the Company’s board of directors shall approve any transaction with an amount of more than RMB0.3 million, and shall authorize the executive director committee to examine and approve any transaction with an amount less than RMB0.3 million.

Article 13 For guarantees provided by the Company to a third party which are not required by the Articles of the Rules of Procedure for Board of Directors’ Meetings to seek approval by shareholders at general meetings, the board of directors shall be authorized to consider and approve these guarantees. The giving of guarantee by the Company to a third party shall be examined and approved by more than two-thirds of all members of the Board.

Article 14 Power and authority of the Board in relation to debts:

- (1) According to the annual investment plan approved by the shareholder’s general meeting, the Board shall consider the amount of long-term loans for the current year and may authorize the executive directors committee to adjust the amount of long-term loans for the year approved by the Board within 10%.
- (2) Within the total amount of the loans for working capital for the current year approved by the Board, the Board may authorize the executive directors committee to examine and approve any short-term loan contract for working capital with an amount of individual loan more than RMB 50,000,000 and may authorize the general manager to examine and approve any short-term loan contract for working capital with an amount of individual loan less than RMB 50,000,000.

Article 15 If different standards of approval mentioned above are applicable to the above investment, asset disposal, loan matters, external guarantees and involve more than two or more approval bodies, approval applications shall be submitted to the highest approval body.

If the above investment, asset disposal and loan matters constitute connected transactions according to the regulatory stipulations of the places where the Company is listed, the relevant matters shall be dealt with according to the relevant stipulations.

Article 16 Power and authority of the Board in relation to management structures and personnel:

The Board shall authorize the executive directors committee to make decisions about the establishment of the Company's internal management structure of the Company, establishment of branch entities, appointment and replacement of the members of the board of directors and supervisory committee of the Company's wholly-owned subsidiaries, and appointment, replacement or nomination of shareholders' representatives, director candidates and supervisor candidates of subsidiaries controlled or invested in by the Company.

CHAPTER IV SECRETARY OF THE BOARD OF DIRECTORS

Article 17 The Company shall have one secretary of the board of directors. The main duty of the secretary of the board of directors is to promote and improve the Company's corporate governance standards and properly deal with the matters regarding disclosure of information.

Article 18 The main duties of the secretary of the Board include:

- (1) organizing and arranging for the meetings of the Board and shareholders' general meetings, preparing meeting materials, handling relevant meeting affairs, responsible for keeping minutes of the meetings and ensuring their accuracy and completeness, keeping meeting documents and minutes and taking 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.
- (2) ensuring the material matters decided by the Board of the Company to be carried out strictly in accordance with the procedures as stipulated; at request of the Board, participating in the organization of consultation on and analysis of the matters to be decided by the Board and raise relevant opinions and suggestions; handling the day-to-day affairs of the Board and the its committees as authorised.
- (3) as the contact person of the Company with the securities regulatory authorities, responsible for organizing preparation and prompt submission of the documents required by the regulatory authorities, responsible for accepting tasks assigned by the regulatory authorities and organizing their implementation, and ensuring the Company to prepare and submit the reports and documents required by the competent authorities in accordance with the law.

- (4) responsible for co-ordinating and organizing the Company's disclosure of information, establishing and perfecting the information disclosure system, participating in all of the Company's meetings involving the disclosure of information, and being aware of the Company's material operation decisions and related information in a timely manner.
- (5) responsible for keeping the Company's price-sensitive information confidential and working out effectual and practical confidentiality system and measures; where there is any disclosure of the Company's price-sensitive information due to any reason, necessary remedial measures shall be taken, timely explanation and clarification shall be made, and relevant reports shall be submitted to the regulatory authorities in places where the shares of the Company are listed, and to the CSRC.
- (6) responsible for co-ordinating and organizing market promotion, co-ordinating reception of visitors, handling the investor relations, keeping in touch with investors, intermediaries and news media, responsible for co-ordinating replies to inquiries from the public, and ensuring investors to obtain the information disclosed by the Company in a timely manner; organizing the preparation of the Company's onshore and offshore marketing and promotion activities, preparing summary reports on marketing and important visits, and organizing work in relation to the reports to the CSRC; establishing effectual communication channels between the Company and its shareholders (including assigning dedicated persons and/or departments), responsible for maintaining full and necessary contact with shareholders, and passing all feedback of shareholders, including their opinions and proposals, to the Board and management of the Company in a timely manner.
- (7) ensuring the proper maintenance of the register of shareholders, responsible for handling and keeping the materials concerning register of shareholders, directors' register, quantity of shares held by major shareholders and records of shares held by directors, as well as the name lists of the beneficiaries of the outstanding debentures of the Company.
- (8) assisting directors and the president to conscientiously implement domestic and foreign laws, regulations, the Articles and other provisions and providing them with the relevant information (including but not limited to provision to the newly-appointed directors of the latest information on company governance issued by the Stock Exchange of Hong Kong Limited). Upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant regulations, has a duty to immediately warn the Board, and is entitled to report the facts of the related matters to CSRC and other regulatory authorities.

- (9) co-ordinating the provision of relevant information necessary for the Company’s supervisory committee and other audit authorities to discharge their duties; assisting in carrying out investigation on the performance by the chief financial officer, directors and the president of the Company of their fiduciary duties.
- (10) ensuring that the complete constitutive documents and records of the Company are kept properly and the persons who have the rights of access to the relevant documents and records of the Company obtain those documents and records in a timely manner.
- (11) exercising other functions and powers as conferred by the Board, as well as other functions and powers as required by the listing rules of the stock exchanges on which the Company’s shares are listed.

Article 19 The Board shall have a secretarial office, which shall be the daily working body assisting the secretary of the Board in performing his duties.

Article 20 The Company shall formulate the “Detailed Working Rules for the Secretary of the Board”, which shall set out detailed provisions in respect of the duties and responsibilities, roles and the daily working body of the secretary of the Board. Those Rules shall come into effect upon the submission to, and the approval by, the Board.

CHAPTER V SYSTEM FOR BOARD OF DIRECTORS’ MEETINGS

Article 21 The board of directors’ meetings shall be divided into regular meetings and interim meetings according to the regularity of such meetings.

Article 22 Regular meetings shall include the following:

- (1) Board meetings approving financial reports of the Company:
 - (i) Annual results meetings

Annual results meetings shall be convened within 120 days from the end of the accounting year of the Company. The directors shall approve the Company’s annual reports and deal with other relevant matters at such meetings. The timing of such meetings shall ensure that the annual reports of the Company will be despatched to the shareholders within the time limit specified by the relevant regulations and the Articles of Association, and shall ensure that the preliminary annual financial results of the Company will be announced within the time limit specified by the relevant regulations of the Company, and shall ensure that the AGM will be convened within 180 days from the end of accounting year of the Company.

(ii) Interim results meetings

The interim results meetings shall be convened within 60 days from the end of the first six months of the accounting year of the Company. The directors shall approve the Company's interim reports and deal with other relevant matters at such meetings.

(iii) Quarterly results meetings

The quarterly results meeting shall be held in the first month of each of the second and fourth quarter of the Gregorian calendar year. The directors shall approve the Company's quarterly reports for the preceding quarters at such meetings.

(2) Year-end review meetings

The year-end review meetings shall be convened in December of each year. The directors shall listen to and approve the general manager's report in respect of the expected performance of the Company in the year and the work arrangements for the following year at such meetings.

Article 23

The chairman of the board of directors shall convene an extraordinary board of directors' meeting within ten working days in any one of the following events:

- (1) shareholders representing not less than one-tenth of the voting rights requisition a meeting;
- (2) not less than one-third of the directors together requisition a meeting;
- (3) not less than one-half of the independent directors together requisition a meeting;
- (4) the supervisory committee requisitions a meeting.

Article 24

The board of directors' meetings shall be divided into meetings at which the directors may authorise other directors to attend on their behalf, according to whether the directors are physically present at the meetings.

The meetings at which all directors must be physically present shall be held at least once every six months, and such meetings shall not be held by way of written resolutions or video telephone meetings.

Article 25

The board of directors' meetings shall be divided into on-site meetings, video-telephone meetings and meetings by way of written resolutions.

All the meetings of the board of directors may be held by way of on-site meetings.

The board of directors' meetings may be held by way of video-telephone meetings, provided that the attending directors are able to hear clearly the director who speaks at the meeting and communicate amongst themselves. The meetings convened by this method shall be recorded and videotaped. In the event that the attending directors are unable to sign for the resolutions on site, they shall express their opinions orally during the meeting and shall complete the signing procedures as soon as practicable. The verbal voting by a director shall have the same effect as signing in the voting sheet, provided that there is no discrepancy between the opinions expressed by such director in completing signing procedure and the opinions orally expressed by him during the meeting.

In urgent cases (limited to cases where an on-site meeting or a video-telephone meeting is impractical), where the matters to be examined are comparatively procedural and unique such that a discussion of the motions proves to be unnecessary, the board of directors' meeting may be held by written resolutions, in which case the motions shall be passed by way of circulating the motions for directors' review. Unless otherwise expressed by the directors, signing on the written resolutions by the directors shall be sufficient evidence that they have agreed to the resolutions.

CHAPTER VI PROCEEDINGS OF BOARD OF DIRECTORS' MEETINGS

Article 26 Putting forward Motions

The motions of the board of directors' meetings shall be put forward in the following circumstances:

- (1) matters proposed by the directors;
- (2) matters proposed by the supervisory committee;
- (3) motions from the special committees of the board of directors;
- (4) matters proposed by the general manager.

Article 27 Collecting Motions

The secretary of the board of directors shall be responsible for collecting the draft motions in respect of the matters to be considered at the meeting. Each person who puts forward the relevant motion(s) shall submit the motions and relevant explanatory materials before the date of the meeting. Motions concerning material connected transactions which must be approved by the board of directors or the shareholders' general meeting (which are determined according to the standards set from time to time by the relevant regulatory bodies) shall first be approved by the independent directors. The relevant materials shall be submitted to the chairman of the board of directors after being reviewed by the secretary of the board of directors, who shall also set out the time, Place and agenda of the meeting in the materials submitted.

Article 28 Convening Meetings

A board of directors' meeting shall be convened by the chairman of the board of directors, who shall also approve the issue of the notice convening the meeting. If the chairman of the board of directors is unable to convene the meeting due to special reasons, he shall designate the vice-chairman or other director(s) to convene the meeting. Where with no reason the chairman fails to convene a meeting or designate specific personnel to act on his behalf, a director chosen by the vice-chairman and one-half of the directors jointly shall convene the meeting. The convenor of the meeting shall be responsible for approving the issue of the notice of the meeting.

Article 29 Notice of Meetings

- (1) The notice of a board of directors' meeting shall be delivered to all directors, supervisors or other personnel attending the meeting before the date of the meeting. The notice of the meeting shall generally set out the following:
 - (i) the time and place of the meeting;
 - (ii) the duration of the meeting;
 - (iii) the agenda, subject matter, resolutions and relevant board papers and materials;
 - (iv) the date of the issue of the notice.

- (2) Board of directors' meetings shall be notified according to the following requirements and form:
 - (i) Where the board of directors have set the time and place of regular board of directors' meetings, there is no need for notice of the meeting to be delivered.

- (ii) Where the board of directors have not set the time and place of the board of directors' meetings, the board of directors shall serve notice of the time and place of the meeting on the directors by electronic means, telegraph, facsimile, courier or registered post or personal service, at least fourteen (14) days before the meeting.
- (iii) The notice shall be written in Chinese and an English version can be attached if necessary and shall include the agenda of the meeting.
- (iv) Any director may waive the right to receive notice of board meetings.

Notice of a meeting shall be deemed to have been given to any director who attends the meeting without objecting to any lack of notice before the meeting or at its commencement.

Article 30 Communication before Meetings

After the issue of the notice of a meeting and before the date of the meeting, the secretary of the board of the directors shall be responsible for, and shall communicate and liaise with all directors, in particular external directors, to seek their opinions or suggestions in respect of the motions of the meeting, and shall pass on these opinions or suggestions to the persons who put forward the motions, so as to enable necessary amendments to be made to them. The secretary of the board of directors shall also, in a timely manner, arrange for the provision of the supplemental materials which are required for the directors to make decisions on the motions of the meeting, including the background information relating to the subject of the meeting and other information which will assist the directors in making scientific, rapid and prudent decisions.

Where more than one-fourth of the directors or two external directors are of the opinion that the materials provided are insufficient or unclear, they may jointly make a proposal concerning the postponement of the board meeting or the postponement of discussions on the part of the issues put forward by the board of directors, and the board of directors shall adopt such a proposal. Unless such a proposal is put forward during the meeting, the secretary of the board of directors shall serve a notice on the directors, supervisors and other personnel attending the meeting upon receiving a written request concerning the postponement of holding of the meeting or the postponement of discussions on part of the issues put forward by the board of directors.

Article 31 Attendance at Meetings

Meetings of the board shall be held only if more than half of the directors are present.

Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he may by a written power of attorney appoint another director to attend the meeting on his behalf (where an independent director is unable to attend in person, he shall appoint another independent director to attend on his behalf). The power of attorney shall set out the name of the attorney, the particulars and the scope of authorisation, duration of the validity of such authorisation, and shall be signed or sealed by the principal.

In the event that an independent director does not attend three consecutive board of directors meetings or if the other directors do not attend two consecutive board of directors meetings and do not authorize another director to attend on their behalf, this will be regarded as a dereliction of duty, and the board of directors should recommend to the shareholders' general meeting to have such directors dismissed.

The board of directors' meeting shall be chaired by the chairman of the board of directors. Where circumstances preclude the chairman from chairing the meeting he may designate the vice-chairman or other directors to act on his behalf. Where the chairman of the board fails to chair the meeting without reason or designate specific personnel to act on his behalf, a director chosen by the vice-chairman or more than half of the directors shall chair the meeting. Upon the expiry of the term of office of the directors and the re-election of the new directors at the shareholders' general meeting, the director who obtains the largest number of votes at such re-election (or if more than one, one shall be chosen amongst them) shall chair such meeting, at which the chairman of the new board of directors shall be elected.

Article 32 Considering the Motions

The chairman of the meeting shall declare the commencement of the meeting as scheduled. The directors present shall reach an agreement on the agenda of the meeting thereafter. Where more than one-fourth of the directors or more than two external directors are of the opinion that the materials for the meeting are insufficient or unclear, they may jointly make a proposal concerning the postponement of holding of the board meeting or the postponement of discussions on the part of the issues put forward by the board of directors, and the board of directors shall adopt such a proposal.

When an agreement is reached in respect of the agenda of the meeting by the directors present at the meeting, the chairman of the meeting shall direct the motions to be examined one by one. Persons who put forward the motions or their proxies shall first report to the board of directors their work or make statements in respect of the motions.

In reviewing the relevant proposals, motions and reports, in order to understand the main points and the background information of the motions in detail, the board of directors' meeting may require the heads of the departments which are responsible for handling the motions to attend the meeting to listen to and make inquiries of the relevant statements made at the meeting, so that proper decisions can be made at the meeting. If, in the course of the meeting, any motions examined are found to be unclear or infeasible, the board of directors shall require the departments which are responsible for handling the motions to give a statement at the meeting, and the motions may be returned to such departments for re-handling and their examination and approval shall be postponed.

The independent directors shall give their independent opinions to the board of directors on the following matters:

- (1) the nomination, appointment and dismissal of senior officers;
- (2) the appointment and dismissal of senior officers;
- (3) the remuneration of the directors and senior officers of the Company;
- (4) existing or new loans made by the Company to its shareholders, the person in effective control of the Company or the associated enterprises of the Company or other transfer of funds between them, the amounts of which are equivalent to or exceed the relevant thresholds of the Company's material connected transactions which must be approved by the board of directors and shareholders' general meeting (which shall be determined in accordance with the standard promulgated from time to time by the authorised regulatory bodies) which must be examined by the board of directors or shareholders' general meeting according to law, and whether the Company has taken effective measures to recover such debts;
- (5) any matters which the independent directors consider to be material to the interests of minority shareholders.

An independent director shall give his opinion on the above-mentioned matters in the following manner:

- (1) agree;
- (2) opinion reserved and reasons therefor;
- (3) oppose and reasons therefor;
- (4) no opinion can be expressed and the obstacles.

Article 33 Voting on Motions

In reviewing the motions at the board of directors' meeting, all attending directors shall deliver their opinions in respect of approval or objection to such motions or abstention from voting.

The directors who are acting as proxies of others shall exercise the voting rights within the scope of such authorisation.

Where a director is not present at a board of directors' meeting and fails to appoint a proxy to act on his behalf, such director shall be deemed to have waived his rights to vote at the meeting.

In reaching resolutions by the board of directors, except for the following matters the resolutions of which shall be passed by the consent of more than two-thirds of the directors, other matters shall be passed with the consent of more than one-half of the directors:

- (1) to formulate proposals for the financial policies of the Company, the increase or reduction of the registered capital of the Company and the issuance of securities of any kind (including, without limitation, debentures of the Company) and their listing, and any repurchase of the shares of the Company;
- (2) to draw up plans for significant acquisition or disposal proposals, the merger, division or dissolution of the Company;
- (3) to formulate proposals for any amendment to the Company's Articles of Association.
- (4) to decide on, within the scope of authority conferred upon it by the shareholders' general meeting, issues relating to the provision by the Company of guarantee to a third party.

Resolutions of the board of directors may be decided on a poll or show of hands. Each director shall have one vote. Where the votes for and against a resolution are equal, the chairman of the board of directors is entitled to a casting vote.

A director shall not be entitled to vote, whether for himself or on behalf of another director, on (nor shall be counted in the quorum in relation to) any resolution of the board in respect of any contract, transaction or arrangement in which he or any of his associates as defined in the Listing Rules (“Associate”) has any material interest. A board meeting in respect of any contract, transaction or arrangement in which a director or any of his Associates has any material interest can be convened where not less than half of the disinterested directors of the Company attend the meeting and any such resolutions shall be passed by at least half of the disinterested directors of the Company. If the number of disinterested directors present at is less than 3, the matters shall be presented to the shareholders for consideration at a general meeting.

Article 34 Responsibilities of directors for board resolutions

A written resolution of the board of directors shall not take effect as a resolution of the board of directors if it has not been formulated in accordance with the stipulated procedures, notwithstanding all the directors have already expressed their opinions in different ways. The directors shall be responsible for the resolutions passed at the meetings of the board of directors. Any director who votes for a resolution which contravenes the laws, administrative regulations or the Articles of Association thus causing serious damage to the Company shall be directly liable (including for compensation of damages) for all losses incurred by the Company as a result. A director who votes against the resolution, and who has been proved as having expressed dissenting opinions on the resolution and such opinions are recorded in the minutes of the meeting can be exempt from liability. A director who abstains, or who fails to attend the meeting and fails to appoint a proxy to act on his behalf, cannot avoid liability. A director who explicitly expresses his objection in the course of discussion but fails to cast an objection vote in the voting cannot avoid liability.

Article 35 Resolutions of the Meeting

The board of directors’ meeting should normally resolve on all the matters examined at the meeting.

A resolution on the Company’s connected transactions shall not be valid until it is signed by all directors.

The independent directors’ opinions shall be set out in the resolutions of the board of directors meetings.

Article 36 Minutes of the Meetings

Minutes of the board of directors' meeting are proof of the resolutions on the matters examined at the meeting. Detailed and complete minutes in respect of the matters examined at the meeting shall be recorded. The minutes of the board of directors' meeting shall state the following:

- (1) the date, place, names of the convenors and chairman of the meeting;
- (2) the names of the attending directors and the names of those persons present, the names of appointing directors and their attorneys;
- (3) the agenda of the meeting;
- (4) the essential points of the directors' presentations (for a meeting by written resolution, the version containing the directors' feedback in writing shall prevail);
- (5) the voting methods and outcome for each proposal (the outcome of the voting shall set out the respective number of assenting or dissenting votes or abstentions);
- (6) the directors' signatures.

The secretary of the board of directors shall take initiative to arrange for the matters examined at the meeting to be recorded. The minutes of the board meeting shall be given to all directors as soon as practicable. Directors who wish to amend or supplement the minutes shall submit a written report setting out his comments to the chairman of the board within one week of this receipt of the draft minutes circulated. Once the board minutes have been finalised, the attending directors, the secretary of the board of directors and the minute-taking officer shall sign the minutes of the board meeting. The minutes of the board meeting, being an important Company record, shall be properly kept at the business address of the Company.

CHAPTER VII DISCLOSURE OF INFORMATION RELATING TO THE BOARD OF DIRECTORS' MEETING

Article 37 The board of directors of the Company shall strictly comply with the requirements of the regulatory authorities and the stock exchanges on which the Company's shares are listed in relation to the disclosure of information. It shall ensure that matters examined or resolutions passed at the board of directors' meeting which are discloseable are disclosed accurately and in a timely manner. Information relating to significant matters of the Company must be reported to the stock exchanges on which the Company's shares are listed at the earliest opportunity, and shall be submitted to relevant regulatory authorities for filing.

Article 38 Where a matter which requires the independent opinions of the independent directors is discloseable, the Company shall disclose such opinions in the relevant announcement. If the independent directors are of the divergent views and cannot reach any consensus, the board of directors shall disclose the respective opinions of each of the independent directors.

Article 39 Where matters considered at the board of directors meeting are confidential, the attendees of the meeting must keep such information confidential. Liability shall be imposed on those who are in breach of this duty.

CHAPTER VIII IMPLEMENTATION OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS' MEETING AND FEEDBACKS

Article 40 The following matters shall not be implemented until they are examined and preliminarily approved by the board of directors and submitted to the shareholders' general meeting for approval thereafter:

- (1) the formulation of the Company's annual preliminary and final budgets;
- (2) the formulation of Company's profit distribution proposals and loss recovery proposals;
- (3) the increase or reduction of the registered capital of the Company and the issue of debentures or other securities and their listing, and any repurchase of the shares of the Company;
- (4) the formulation of plans for merger, division or dissolution of the Company;
- (5) the formulation of proposals for any amendment to the Articles of Associations; and
- (6) any proposal to be submitted to the shareholders in general meeting for the appointment or replacement of the accounting firm auditing the accounts of the Company.

Article 41 After resolutions are passed at a board of directors' meeting, the general manager shall implement the resolutions which fall within the scope of the authority of the general manager, or which the board of directors authorises the general manager to handle, and shall report the status of implementation to the board of directors.

Article 42 The chairman of the board shall have the power to, or authorize the vice-chairman or the directors to, urge, examine and supervise the implementation of the resolutions of the meeting.

Article 43 At each board of directors' meeting, the chairman or other executive director authorized by him shall report on matters relating to resolutions of the executive directors' committee (if any) and the general manager shall deliver a report to the meeting in relation to the status of implementation of the matters which, according to the resolutions of the previous meeting, must be implemented.

Article 44 Under the direction of the board of directors and the chairman, the secretary of the board of directors shall take the initiative to obtain information in respect of the progress on the implementation of the resolutions, and shall, in a timely manner, report to and submit proposals to the board of directors and the chairman in relation to the important issues to be implemented.

CHAPTER IX SUPPLEMENTAL PROVISIONS

Article 45 Where these Rules fail to comply with relevant laws, regulations, other regulatory documents as promulgated from time to time, the provisions of the Company Law of any resolutions of the shareholders' general meeting, then such laws, regulations and other regulatory documents, the Company Articles or shareholders' resolutions shall prevail.

Article 46 These Rules shall come into effect upon being passed by the shareholders' general meeting. Any amendments to these Rules shall be proposed by the board of directors and submitted to the shareholders' general meeting for approval.

Article 47 The right to interpret these Rules shall vest with the board of directors.

RULES OF PROCEDURE FOR SUPERVISORY COMMITTEE MEETINGS

CHAPTER I GENERAL PRINCIPLES

Article 1 In order to safeguard the interests of the shareholders and employees of the Company and improve the Company's internal supervision and control mechanisms, these Rules governing the work of the Supervisory Committee of this Company are hereby amended in accordance with the Company Law of the People's Republic of China, the Provisional Regulations on Supervisory Committees of State Enterprises and the Guidelines on the Articles of Association of Listed Companies, and with the reference to the Opinions on Further Promoting Standardised Operation of Reform of Companies Listed Overseas, the Detailed Rules of Procedure for Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited and the Articles of the Association of the Company (the “Articles of Association”).

Article 2 The Supervisory Committee is the supervisory organisation set up in accordance with the law, and is accountable and reports to the shareholders' general meeting.

The Supervisory Committee focuses its work on financial supervision, and supervises the Company's financial activities and the operation and management activities of the Company's directors, managers and other officers in accordance with the relevant national laws, administrative regulations, financial auditing regulations and resolutions of the shareholders' general meeting, so as to ensure that the assets of the Company and the interests of shareholders are not jeopardised.

CHAPTER II COMPOSITION OF THE SUPERVISORY COMMITTEE

Article 3 The Supervisory Committee of this Company shall be composed of seven (7) members, one half of whom shall be external supervisors and at least one third of whom shall be staff representatives.

Article 4 The shareholder representatives in the Supervisory Committee shall be elected and removed at a shareholders' meeting. The staff representatives in the Supervisory Committee shall be democratically elected and removed at the employees representative meeting.

The Supervisory Committee shall have a Chairman. The Chairman shall be elected by at least two thirds of the members of the Supervisory Committee. The Chairman shall carry out the duty of the Supervisory Committee. When a Chairman cannot or does not carry out his duty, another supervisor shall be nominated by at least half of the members of the Supervisory Committee to convene and chair meetings of the Supervisory Committee.

Article 5 Qualifications for supervisors

- (1) A supervisor should be familiar with and able to perform and implement the relevant national laws, administrative regulations and rules and systems;
- (2) A supervisor should have professional knowledge of financial, accounting, auditing or macro economic matters, and have an proper understanding of the Company's operations and management;
- (3) A supervisor should comply with the law, uphold principles, be honest and self-disciplined, loyal to his duties, impartial, and be able to maintain confidentiality;
- (4) A supervisor should have a relatively strong ability of comprehensive analysis and judgement, and be capable of working independently;
- (5) A supervisor should be able to protect the interests of investors, with a strong sense of responsibility to preserve and increase the value of the Company's assets.

Article 6 Directors, managers, persons in charge of financial affairs, and secretary of the board of the Company and government functionaries shall not act as a supervisor of the Company concurrently.

A person shall be disqualified from being a supervisor of the Company if any of the circumstances stipulated in Article 178 of the Articles of Association applies.

Article 7 The term of office for a supervisor shall be three years. In general, a supervisor shall not be removed during the term of office. Upon expiration of the term, a supervisor may be re-elected to a successive term.

Article 8 The Supervisory Committee shall establish an Office of Supervisory Committee, which shall be the working body of the Supervisory Committee and shall handle relevant specific matters under the leadership of the Supervisory Committee and its Chairman.

CHAPTER III POWERS, RESPONSIBILITIES AND OBLIGATIONS OF THE SUPERVISORY COMMITTEE

Article 9 The Supervisory Committee shall exercise the following powers in accordance with the law:

- (1) to supervise the performance and implementation of the relevant State laws and administrative regulations as well as implementation of the resolutions of the shareholders general meeting by the Company, and exercise supervision over decision-making procedures for important matters.

- (2) to examine the Company's financial affairs, review the Company's financial and accounting information and other information relating to the Company's operation and management activities, verify authenticity and legitimacy of the Company's financial statements, and review periodic reports of the Company prepared by the board of directors and to furnish written review opinions. When necessary, it may require any executive directors, managers and functionary departments to report on the relevant business matters;

- (3) to stress the supervision and control of economic activities and asset quality relating to finance, investment, provision of guarantees, security, transfer, acquisition and merger involving large amounts of funds which are the subject of decision-making by the Board.

- (4) to supervise directors, managers and other senior officers of the Company in relation to their performance of duties as to whether they are involved in any of the following activities in violation of laws, regulations or the Articles of Association of the Company and to propose removal of a director or a senior officer who is in violation of laws, administrative regulations, the Articles of Association or resolutions passed at a general meeting of shareholders:
 - (i) by taking advantage of his office power, taking bribes or other illegal income or illegally taking possession of the assets of the Company;
 - (ii) misappropriating the funds of the Company, or lending the funds of the Company to other persons;
 - (iii) depositing the assets of the Company in an account under an individual's name or in any other names;
 - (iv) using the assets of the Company to provide guarantees for a shareholder of the Company or for any other individual's debts;
 - (v) engaging in any activity which may jeopardise the interests of the Company on his own account or for any other person; or
 - (vi) divulging commercial secrets of the Company.

- (5) to attend the meetings of the Board of Directors as observers, and to designate any supervisor to attend the general manager's executive meeting as an observer when necessary.

- (6) to exercise other powers conferred by the Articles of Association of the Company or the shareholders general meeting.

Article 10 The Chairman of the Supervisory Committee shall exercise the following powers in accordance with the law:

- (1) to convene and preside over the meetings of the Supervisory Committee;
- (2) to inspect the implementation of resolutions of the Supervisory Committee;
- (3) to examine and sign the reports of the Supervisory Committee and other important documents;
- (4) on behalf of the Supervisory Committee, to report to the shareholders general meeting on its work; and
- (5) other powers which shall be performed by the Chairman of the Supervisory Committee.

Article 11 During the performance of its duties of supervision, the Supervisory Committee may adopt the following measures against issues discovered therein:

- (1) to issue a written notice demanding correction;
- (2) to ask the audit and surveillance departments to verify;
- (3) to appoint qualified external accountants firm, audit firm, law firm or other professional institutions to verify and collect evidence;
- (4) to propose to convene any extraordinary shareholders general meeting;
- (5) to make a report or explanation to the relevant State regulatory institutions or judicial authorities; or
- (6) to initiate proceedings against the directors and senior officers in accordance with section 152 of the Company Law.

Article 12 In addition to conscientious performance of the obligations under the Articles of Association of the Company, a supervisor shall perform the following obligations:

- (1) comply with the Articles of Association and to carry out those resolutions approved at the meetings of the Supervisory Committee;

- (2) faithfully perform the supervisory duty and safeguard the interests of the Company, and not seek personal interests for himself or for any other person by taking advantage of his position and office power in the Company, nor take bribes or any other illegal incomes or illegally take possession of assets of the Company;
- (3) except in accordance with the law or as approved by the shareholders general meeting, may not disclose the Company's secrets;
- (4) be responsible for the authenticity and legitimacy of the contents of the report to the shareholders' general meeting or the supervisory documents; and
- (5) strengthen the study of the laws, regulations, policies and business, pay attention to investigation and research, and improve their professional ability.

CHAPTER IV METHODS AND PROCEDURES FOR THE OPERATION OF THE SUPERVISORY COMMITTEE

Article 13 The Supervisory Committee operates mainly through regular meetings and extraordinary meetings, telephone meetings and meetings carried out via other means of communication.

Article 14 The Supervisory Committee shall hold four regular meetings each year. In general, the agenda of the meeting shall include:

- (1) to review the annual, interim and quarterly financial statements of the Company, and present the Supervisory Committee's analysis and recommendation from the points of view of enterprise operation risks, standardised operation, effective management and asset loss, etc.;
- (2) to focus on the assessment of the performance of the Company's budget, operation of the assets, implementation of material investment decisions, asset quality of the Company and preservation of and increase in the value of the Company's assets, etc.; and
- (3) to discuss the work report of the Supervisory Committee, amendment to important systems, work plan and summaries of its work.

Article 15 Upon the proposal of the Chairman of the Supervisory Committee or two thirds or more of its members, or upon the requirement of the Board or the General Manager, the Supervisory Committee may hold an extraordinary meeting in any of the following circumstances:

- (1) where the Company has suffered or is suffering material asset flight, causing damages to the interests of the shareholders, but the Board fails to take measures in a timely manner;
- (2) where any officer of the Company violates laws, administrative regulations or the Articles of Association of the Company, causing material damage to the interests of the Company;
- (3) where it is necessary to conduct investigation of any specific matter, or it is necessary to invite the Board and management to provide relevant reports or explanations;
- (4) where the Supervisory Committee considers necessary to appoint any external accountant or law firm to issue professional opinions in respect of certain material supervision matters;
- (5) where the Supervisory Committee considers necessary to convene an interim meeting.

Article 16

Notice of the time and place of a Supervisory Committee meeting and major items recommended for discussion should be given to supervisors ten days prior to the date of meeting, either by telegraph, electronic transmission, facsimile, courier or registered post. When convening an extraordinary meeting, oral or written notice may be given three days prior to the meeting.

Should all supervisors be able to fully express their personal opinion and communicate with all other supervisors, Supervisory Committee Meetings can be held by means of telephone conference or other means of communication, and all supervisors are deemed to be present at the Supervisory Committee Meetings.

Article 17

Meetings of the Supervisory Committee should be attended by at least two-thirds (inclusive) of the supervisors. Meetings shall be chaired by the Chairman of the Supervisory Committee. If for some reason the Chairman is unable to attend, he should appoint another supervisor to chair the meeting.

Article 18 Supervisors shall attend meetings as scheduled, and fully express their opinions on the resolutions and matters for discussion, and indicate their own attitude. If for some reason a supervisor is unable to attend a meeting, he may authorise another supervisor to act as a proxy and exercise his powers on his behalf. Such written authorisation shall state the name of the proxy, the matters in respect of which he is authorised, the authority of the proxy and the period of validity, and shall be signed or bear the seal of the person appointing the proxy. This will be deemed to be an attendance at that meeting by the supervisor so represented. The Supervisory Committee shall propose at a shareholders' meeting or trade union representatives' meeting for the removal of a Supervisor who, without reasons, fails to attend in person two consecutive Supervisory Committee meetings and fails to nominate another supervisor to act on his behalf.

Article 19 If questions raised by the resolutions or matters discussed by the Supervisory Committee require the opinion of experts or the board of directors or management of the Company, then such experts, members of the board of directors or members of management may be invited to attend the meeting.

Attendees at the meeting have the right to express their opinion in respect of certain matters, but have no right to vote.

Article 20 Resolutions of the Supervisory Committee shall be voted by ballot, either by poll or on a show of hands. Ordinary resolutions require the approval of half of the supervisors present at the meeting to be effective. The following matters must receive the approval of at least two-thirds (inclusive) of the supervisors present at the meeting to be passed:

- (1) a motion to convene an extraordinary general meeting of shareholders;
- (2) the appointment of accountants or lawyers in the name of the Company;
- (3) organising an investigate or consultation into a particular matter.

Article 21 When the Supervisory Committee makes a resolution, where the matter falls within the scope of responsibility of the general manager, the general manager shall be responsible for implementation and shall report on such implementation in a timely manner to the Supervisory Committee. When the Supervisory Committee is not in session, he may report to the Chairman of the Supervisory Committee. Matters that do not fall within the scope of responsibility of the general manager, the Supervisory Committee shall organise implementation by the relevant department and receive their reports.

The Office of the Supervisory Committee is responsible for delivering written materials on the resolutions of the Supervisory Committee and their implementation to the directors, supervisors and general manager.

Article 22 Minutes shall be recorded of meetings of the Supervisory Committee, and shall be signed by the supervisors attending the meeting and the officer recording the minutes. Supervisors have the right to record explanations regarding their speeches at the meetings.

Article 23 After a meeting of the Supervisory Committee has been held, a summary of the meeting must be prepared, and retained for six years together with the minutes and resolutions as records of the Supervisory Committee.

Article 24 When the Supervisory Committee is exercising its supervising powers, it may not act on behalf of the board of directors or general manager, and may not carry on any business activities on behalf of the Company.

CHAPTER V INCENTIVES AND SANCTIONS

Article 25 A Supervisor shall be held liable for any contravention of the laws, rules and regulation if the Supervisor knows of such contravention but did nothing to stop it.

Article 26 If the Company suffers from losses as a result of a Supervisor breaching the laws, rules and regulation or the Articles of Association, the Supervisor shall be liable for the losses.

If the interest of an investor, the Company or the Company's staff is negatively affected as a result of a decision of the Supervisory Committee, the Supervisor(s) who approved the decision shall be held liable. Supervisor(s) whose disapprovals are recorded in minutes shall be free from any obligations.

Article 27 If the achievements of members of the Supervisory Committee in carrying out their work are outstanding, and make a significant contribution to the rights and interests of the Company and the shareholders, the shareholders' general meeting may grant them a bonus.

Article 28 In any of the following cases, based on the severity of the particular circumstances, the Supervisory Committee shall propose at a shareholders' meeting or trade union democratic management authority for the removal of a Supervisor in accordance with the law, rules and regulations and the Articles of Association. Where this constitutes criminal behaviour, criminal liability will be pursued by judicial organs in accordance with the law:

- (1) concealing major breaches of the law or regulation by the Company, or gross dereliction of duty in relation thereto;
- (2) preparing a false report in relation to the Company's financial situation;
- (3) behaviour in breach of Article 12 of these Rules (except for Article 12(5) of these Rules).

CHAPTER VI SUPPLEMENTARY PROVISIONS

- Article 29** The Supervisory Committee of the Company has guiding responsibility for the work of the supervisory committees of the Company's subsidiaries (including controlled companies). When necessary it may organise a financial investigation group of the Supervisory Committee Office to carry out an investigation of the financial situation of subsidiaries.
- Article 30** The Company shall provide the necessary working conditions for the Supervisory Committee, shall bear all expenses arising from the work of the Supervisory Committee.
- Article 31** These Rules shall come into effect upon being passed by the shareholders' general meeting. Any amendments to these Rules shall be proposed by the Supervisory Committee and submitted to the shareholders' general meeting for approval. The right to interpret these Rules shall vest with the Supervisory Committee.