

**Rules and Procedures  
for  
Board of Directors' Meetings  
of  
China Petroleum & Chemical Corporation**

**Revised at the Annual General Meeting for the Year 2017 on 15 May 2018**

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## **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to ensure that the board of directors of China Petroleum & Chemical Corporation (the “Company”) fulfils the duties and responsibilities conferred by all shareholders of the Company, conducts discussions efficiently, makes scientific, immediate and prudent decisions and standardizes the operation of the board of directors, these Rules are formulated according to the “Company Law of the People’s Republic of China” (the “Company Law”), the "Securities Law of the People's Republic of China", “Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas”, “Guidelines for the Articles of Association of Listed Companies”, “Standards for the Governance of Listed Companies” and other governing regulations of the places of the Company’s listings inside and outside the PRC and the Articles of Association of China Petroleum & Chemical Corporation (“Articles of Association”).

## **CHAPTER 2 FUNCTIONS, POWERS AND AUTHORITY OF THE BOARD OF DIRECTORS**

**Article 2** When making decisions on significant matters such as direction of reform and development, key objectives, and priority operational arrangements of the Company, the board of directors should seek advice from the Party organization. When the board of directors appoints the management personnel of the Company, the Party organization shall consider and provide comments on the candidates for management positions nominated by the board of directors or the president, or recommend candidates to the board of directors and/or the president.

**Article 3** The board of directors is accountable to the shareholders’ general meetings and shall exercise the following functions and powers:

- (1) to be responsible for convening shareholders’ general meetings and to report on its work to the shareholders’ general meetings;
- (2) to implement the resolutions passed at shareholders’ in general meetings;
- (3) to determine the Company’s business plans and investment proposals;
- (4) to formulate the Company’s annual preliminary and final financial budgets;
- (5) to formulate the Company’s profit distribution proposals and loss recovery proposals;
- (6) to formulate proposals for the credit and financial policies of the Company, the increase or reduction of the registered capital of the Company and for the issue of debentures and securities of any kinds (including but without limitation to the debentures of the Company) and the listing or repurchase of the shares of the Company;
- (7) to formulate plans for significant acquisition or disposal proposals, the merger, division, change of corporate form or dissolution of the Company;
- (8) to determine such matters as external investment, acquire or sale of assets, pledge, entrusting financing, connected transactions according to the authority given in the shareholders’ general meeting;
- (9) to determine matters relating to external guarantees of the Company according to laws and the Articles of Association and its appendices;
- (10) to decide on the Company’s internal management structure;

- (11) to appoint or remove the Company's president and to appoint or remove the senior vice-president, Chief Financial Officer and vice-president of the Company according to the recommendations of the president; to appoint or remove the secretary of the board of directors and to decide on their remuneration;
- (12) to appoint or replace the members of the board of directors and the supervisory committee of its wholly-owned subsidiaries; to appoint, replace or recommend the shareholders' proxies, directors (candidates) and supervisors (candidates) of its subsidiaries which are controlled or invested by the Company;
- (13) to determine the establishment of the Company's branch offices;
- (14) to formulate proposals for any amendment of the Articles of Association and its appendices;
- (15) to formulate the Company's basic management system;
- (16) to manage the disclosure of information of the Company;
- (17) to propose in a shareholders' general meeting to engage or replace the accounting firm which undertakes auditing work of the Company;
- (18) to listen to the president's work report and check the president's work;
- (19) to determine important matters and administrative matters of the Company other than those which should be determined by resolution of a shareholders' general meeting of the Company except for matters as specified by law, administrative rules, regulations of the competent government department(s) and the Articles of Association (and its appendices), and to sign other important agreements;
- (20) to exercise any other powers stipulated by laws, administrative rules, regulations of the competent government department(s) or the Articles of Association or these Rules, and any other functions and powers conferred by the shareholders' in general meetings.

**Article 4** The necessary conditions for the board of directors to perform its duties shall include the following:

The president shall provide the directors with necessary information and data, enabling the board of directors to make scientific, immediate and prudent decisions.

A director may require the president or, through the president, require the relevant departments of the Company to provide information and explanations which are necessary for him to make scientific, immediate and prudent decisions.

Where the independent directors think necessary, they may engage (an) independent institution(s) to provide independent opinions to be relied upon by them in making decisions. The fees incurred in the engagement of such (an) independent institution(s) shall be borne by the Company.

**Article 5** 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 (and its appendices) to submit to the shareholders in general meetings for determination (including matters proposed by two or more than half of the independent directors).

**Article 6** In order to ensure and increase the stability and efficiency of the daily operation of the Company, the board of directors shall explicitly authorise, on a partial basis, the chairman, other one or more directors or the president to exercise its functions and powers on investment plans, assets disposals, external guarantees, the credit and financial policies and the internal management structure of the Company according to the provisions of the Articles of Association (and its appendices) and the authorisation of the shareholders' general meeting.

**Article 7** The powers and authority of the board of directors on investments shall include the following:

- (1) The board of directors shall be responsible for conducting preliminary examination of the medium and long-term investment plans proposed by the president, and shall submit them to the shareholders' general meetings for approval.
- (2) The board of directors shall be responsible for conducting preliminary examination of the annual investment plans proposed by the president, and shall submit them to the shareholders' general meetings for approval. The board of directors may make adjustments of not more than 15% of the amount of the capital expenditure for the current year as approved at the shareholders' general meeting. The chairman of the board of directors is authorised to make adjustments of not more than 8% of the amount of the capital expenditure for the current year as approved at the shareholders' general meeting.
- (3) Individual project investments (including but not limited to exploration and development, fixed assets, external shareholdings) shall be approved by the board of directors if the investment amounts are not more than 5% of the latest audited net asset value of the Company. The Chairman of the board of directors is authorised to examine and approve projects if the investment amount is not more than 3% of the latest audited net asset value of the Company.
- (4) Where the Company uses its own assets to make risky investment in areas not related to the business of the Company (including but not limited to debentures, futures, shares), risky investments shall be approved by the board of directors if the amount of the individual investment is not more than 1% of the latest audited net asset value of the Company. The chairman of the board of directors is authorised to examine and approve projects if the investment amount is not more than 0.5% of the latest audited net asset value of the Company.

**Article 8** The powers and authority of the board of directors on asset disposals shall include the following:

- (1) When the Company acquires or sells assets, it has to take into account of the following 5 testing indices: (i) total asset ratio: the total amount of the assets in relation to the transaction (if both book value and valuation value exist, the higher one shall be applied) divided by the latest audited total asset value of the Company; (ii) transaction amount ratio: the transaction amount (taking into account of the assumed liabilities and costs) of the acquired assets divided by the total amount of the latest audited net asset value of the Company; (iii) transaction net profit (loss) ratio: the absolute value of the net profit or loss relating to the assets of the transaction divided by the absolute value of the audited net profit or loss of the Company for the preceding financial year; (iv) revenue ratio: the revenue for the preceding financial year relating to the object of the transaction divided by the audited revenue of the Company for the preceding financial year; (v) Object net profit (loss) ratio: the absolute value of the net profit or loss for the preceding financial year relating to the object of the transaction divided by the absolute value of the audited net profit or loss of the Company for the preceding financial year.

The board of directors shall examine and approve projects with a ratio of less than 50% according to all the above 5 testing indices. The chairman of the board of directors is authorised to examine and approve projects with a ratio of less than 10% according to all the above 5 testing indices.

- (2) In disposing of fixed assets, where the total value of the expected value of the fixed assets to be disposed of and the value of the fixed assets which have been disposed of in the 4 months prior to such proposed disposal does not exceed 33% of the value of the fixed assets as shown in the latest balance sheet considered by the shareholders' general meeting, the board of directors shall examine and approve such disposal, and the Chairman of the board of directors is authorised to examine and approve those fixed asset disposals of less than 10%.
- (3) As regards others (including but not limited to the entering into, varying and termination of important contracts relating to entrustment of operation, entrusted operation, entrusted financial management, contracting and leasing), the relevant amount shall be calculated according to one of 5 testing indices referred to in paragraph (1) of this Article.

Projects with a ratio of not more than 5% according to all the above 5 testing indices shall be examined and approved by the board of directors. The chairman of the board of directors is authorised to examine and approve projects with a ratio of not more than 1% according to all the above 5 testing indices.

**Article 9** The powers and authority of the board of directors on debt liabilities shall include the following:

- (1) The board of directors shall examine and approve the amount of the long-term loans for the current year according to the annual investment plan as approved by the shareholders' general meeting. The chairman of the board of directors is authorised to make adjustments of not more than 10% of the total amount of the long-term loans for the current year as approved by the board of directors. Within the total amount of the long-term loans as approved by the board of directors, the chairman of the board of directors is authorised to approve and sign the contract for every single long-term loan for the amount exceeding RMB1 billion, and the president is authorised to approve and sign the contract for every single long-term loan for the amount not exceeding RMB1 billion.
- (2) Within the total amount of the working capital loans for the current year as approved by the board of directors, the Chairman of the board of directors is authorised to sign the overall short-term loan facility contracts for raising working capitals required by the operation and management of the Company according to the demand of the Company.

**Article 10** If, when applying the relevant standards as set out above, the approving offices of any investment, asset disposal and debts matters as referred to above include the board of directors, chairman of the board of directors and/or president, such matters shall be submitted to the approving offices of the highest level for approval.

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 11** The board of directors authorises the chairman to determine the following matters: (1) internal management structure of the Company; (2) the establishment of branch offices by the Company; (3) to appoint or replace the members of the board of directors and the members of the supervisory committee of the wholly-owned subsidiaries of the Company; and (4) to appoint, replace or recommend the shareholders' representatives, director (candidates) and supervisors (candidates) of the subsidiaries which are controlled or invested by the Company.

### **CHAPTER 3 COMPOSITION OF THE BOARD OF DIRECTORS AND ITS SUBORDINATED OFFICES**

**Article 12** The board of directors shall consist of 11 to 15 directors. The board of directors shall have one chairman and 1 to 2 vice-chairmen.

The directors may serve concurrently as the senior management personnel, however, the concurrently directors acted by the senior management personnel shall not exceed ½ of the total number of the board of directors.

**Article 13** The board of directors shall establish strategic decision-making sub-committee, auditing sub-committee, remuneration and evaluation sub-committee, nomination sub-committee and social responsibility management sub-committee, and other special committees who shall be accountable to the board of directors. These special committees shall conduct research on specific matters and provide opinions and suggestions on these matters to the board of directors for the reference.

Members of the special committees shall be directors of the Company. The majority of the membership of the auditing sub-committee, and remuneration and evaluation sub-committee shall consist of the independent directors, who shall also act as conveners. The auditing sub-committee shall have at least one independent director who is also an accounting professional; independent directors shall be the majority in the nomination sub-committee, and the chairman or an independent director shall be the convener.

**Article 14** The major responsibilities of the strategic decision-making sub-committee shall be to conduct research and put forward proposals on the long-term development strategy and significant investment decisions of the Company.

**Article 15** The major responsibilities of the auditing sub-committee shall include the following:

- (1) to propose the appointment or replacement of the external auditor of the Company;
- (2) to oversee the Company's internal auditing system and its implementation;
- (3) to be responsible for the communication between the internal auditing department of the Company and the external auditor;
- (4) to examine and approve the Company's financial information and its disclosure;
- (5) to examine the internal control system of the Company.

**Article 16** The major responsibilities of the remuneration and evaluation sub-committee shall include the following:

- (1) to research on the criteria for the evaluation of directors and the senior management personnel, to conduct evaluation of them and make necessary suggestions;
- (2) to research on and review the policies and proposals in respect of the remuneration of directors, supervisors, senior management personnel.

**Article 17** The major responsibilities of the nomination committee shall include the following:

- (1) to provide suggestions to the Board on the Board's size and composition, based on the Company's operational activities, assets and shareholding structure;
- (2) to study the standards and procedures for selecting directors and senior management, and to provide suggestions to the Board;
- (3) to search for qualified candidates extensively in both domestic and overseas talent markets and within the Company, assess the candidates for directors and President as well as for Senior Vice Presidents, Chief Financial Officer and Vice Presidents proposed by the President, and for the Board secretary proposed by the Chairman, and to provide suggestions to the Board.

**Article 18** The major responsibilities of the social responsibility management committee shall include the following:

- (1) to study the policies, governance, strategies and plans of the Company's social responsibility management, and to provide suggestions to the Board;
- (2) to review the Company's annual social responsibility plan and external donation plan;
- (3) to review the implementation of the Company's annual social responsibilities as well as the sustainable development report.

**Article 19** The special committees of the board of directors shall formulate detailed working rules, which shall come into effect upon the submission to, and the approval of, the board of directors.

#### **CHAPTER 4 SECRETARY OF THE BOARD OF DIRECTORS**

**Article 20** 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 21** The secretary of the board of directors shall perform the main duties as follow:

- (1) to organize and arrange for board meetings and shareholders' general meetings, prepare the meeting materials, handle the meeting related affairs, to be responsible for record of meetings, ensure the accuracy and completeness of records, keep the meeting documents and records and take initiative to keep abreast of the execution of the related resolutions; and submit reports to the board of directors and put forward the proposals for importance issues arising during the implementation;
- (2) to ensure that the material issues concerning the resolutions of the board of directors can be strictly implemented in accordance with the specified procedures; to participate and organize the consultation and analysis on the decision-making matters of the board in accordance with its requirements, and put forward the related opinions and suggestions; to deal with the daily matters of the board of directors and its related committees if authorised;
- (3) to be the contact person of the Company with the securities regulatory authorities, be responsible for organisation, preparation and timely submission of related documents as required by the regulatory authorities, and be responsible for related tasks assigned by the regulatory authorities and to organise and complete these tasks, and to ensure that the Company prepares and submits the reports and other documents as required by the regulatory authorities in accordance with law;
- (4) to be responsible for the co-ordination and organization of the matters on disclosure of information of the Company, establish and perfect the system concerning information disclosure, participate in all



related meetings of the Company concerning information disclosure, and keep abreast of the important business policies and related information of the Company in a timely manner;

- (5) to be responsible for keeping confidential of the sensitive materials concerning the share price of the Company, and formulate effective and enforceable secrecy systems and measures. For the divulgence of the sensitive materials concerning the share price of the Company due to various reasons, he shall take necessary remedial measures, make timely explanation and clarification, and notify the regulatory organizations in the places where the shares of the Company are listed as well as the securities regulatory authority of the State Council;
- (6) to be responsible for the co-ordination and organization of market promotion, coordinate the visit and interview, deal with the relationship with investors, maintain the relationship with investors, intermediary organs and news agencies, be responsible for the co-ordination and explanation of the inquiries of the public, and ensure the investors to obtain the information as disclosed by the Company in a timely manner, organize and arrange the promotion and advertising activities of the Company inside and outside the PRC, prepare and work out the summary report on market promotion and other important visiting activities, and report the related matters to the securities regulatory authorities of the State Council; to establish effective communication channels between the Company and its shareholders, including designating a staff and/or establishing (a) special office(s) to keep sufficient and necessary contacts with the shareholders, and to relay, in a timely manner, all the feedbacks including opinions and suggestions of the shareholders to the board of directors or the management team of the Company;
- (7) to ensure the proper preparation of the register of shareholders, to be responsible for the management and proper maintenance of the materials concerning register of shareholders, directors' register, quantity of shares held by majority shareholders and record of shares held by directors, as well as the name list of the beneficiaries of the outstanding debentures of the Company;
- (8) to assist directors and the president to practically implement the domestic and foreign laws, regulations, the Articles of Association (and its appendices) and other provisions in discharge of their duties and exercise of their powers; be liable to remind directors and the president timely on becoming aware that the Company passes or may pass resolutions which may breach the relevant regulations, and be entitled to report the related matters to securities regulatory authorities of the State Council and other regulatory authorities according to the facts;
- (9) to provide the related information necessary for the supervisory committee of the Company and other approving authorities to discharge their duties and to exercise their powers, assist the investigation on the Chief Financial Officer, directors and the president of the Company concerning the performance of their fiduciary duties;
- (10) to ensure the complete organizational 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; and
- (11) to discharge other duties and to exercise other powers as conferred by the board of directors, as well as other duties and powers as required by the listing rules of the stock exchanges on which the Company's shares are listed.

**Article 22** The board of directors of the Company shall have a secretarial office, which shall be a daily working body assisting the secretary of the board of directors in performing his duties.

**Article 23** The Company shall formulate regulations in relation to the work of the secretary of the board, and perform the work for disclosure of information and investor relations. The relevant system shall be effective after reporting to the board of directors for approval.

## **CHAPTER 5    RULES OF THE BOARD OF DIRECTORS' MEETING**

**Article 24** The board of directors' meetings shall be divided into regular meetings and provisional meetings according to the regularity of such meetings.

**Article 25** The regular meetings of the board of directors shall include the following:

(1) The board meetings approving financial reports of the Company:

(i) The annual results meetings

The 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, the Articles of Association and these Rules, 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 the accounting year of the Company.

(ii) The interim results meetings

The interim results meetings shall be convened within 60 days from the end of the first 6 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) The quarterly results meetings

The quarterly results meetings shall be held in April and October of the Gregorian calendar year. The directors shall approve the Company's first and third quarterly reports at such meetings.

**Article 26** The chairman of the board of directors shall approve the issue of a notice convening the provisional board of directors' meeting within 10 days from the date of receipt of such proposal in any one of the following events:

- (1) where the chairman of the board of directors considers necessary;
- (2) where more than one-third of the directors propose in their joint names;
- (3) where more than one-half of the independent directors propose in their joint names;
- (4) where the supervisory committee proposes;
- (5) where the shareholders representing 10% or more of the voting rights propose;
- (6) where the president proposes.
- (7) any situation provided by the Articles of Association and these Rules.

**Article 27** The board of directors' meetings shall be divided into meetings at which all directors must be physically present and meetings 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 which all directors must be physically present shall be held at least once every 6 months, and such meetings shall not be held by way of written resolutions or video-telephone meetings.

**Article 28** 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 the way of on-site meetings.

The board of directors' meetings may be held by the 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 way 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 the case where an on-site meeting or a video-telephone meeting is impractical, the board of directors' meeting may be held by written resolutions, in which case the proposed matters for discussion and approval shall be sent in writing form to all of the directors for their approval. 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 6 PROCEEDINGS OF THE BOARD OF DIRECTORS' MEETING**

### **Article 29 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 president;
- (5) matters to be considered by the shareholders of the subsidiaries controlled or invested by the Company in their shareholders' meetings (shareholders' general meetings).
- (6) other situations required by the Articles of Association and these Rules

### **Article 30 Collecting Motions**

The secretary of the board of directors shall be responsible for organizing and 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 are determined according to the standards promulgated by the relevant regulatory authorities from time to time) shall first be consented by more than one half of all the independent directors. The relevant materials shall be submitted to the chairman of the board of directors after scrutinized 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 31 Convening the 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, the vice chairman shall assist the chairman with his work, where the chairman fails to convene a meeting for no reasons or is unable to convene a meeting for special reasons, the meeting shall be convened by the vice chairman (if the Company has two or more vice chairmen, the vice chairman recommended by more than half of all the directors shall convene the meeting), where vice chairman is unable to convene or fails to convene the meeting, the meeting shall be convened by the director recommended by more than half of all the directors. The convenors of the meeting shall be responsible for approving the issue of the notice of the meeting.

### **Article 32 Notice of the Meetings**

- (1) The notice of a board of directors' meeting shall be delivered to all directors and supervisors 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, reasons, subject matters and other relevant particulars of the meeting;
  - iv. the date of the issue of the notice.

The notice of meeting shall be sent to other personnel attending the meeting.

- (2) The board of directors' meetings shall be noticed according to the following requirements and form:
  - i. the notice of the meeting may be served on the directors by courier, facsimile, electronic means, telegraph or mail;
  - ii. the notice of the board of directors' meeting shall be delivered to the directors ten days before the date of the meeting; in case of emergency, where the meeting of the board needs to be held as soon as possible, notice may be sent by way of telephone communication or other oral methods at any time, provided that the convenor shall explain and record the same in the minutes of the board meeting;
  - iii. the notice shall be written in Chinese, if necessary, the English version can be attached.

Any director or supervisor may waive the right to receive the notice of board meeting sent by way of aforesaid methods.

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

### **Article 33 Communication before the 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 supervisors, 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 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, immediate 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 make a proposal jointly 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. 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 34 Attendance of the 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.

The board of directors' meeting shall be chaired by the chairman of the board of directors, the vice chairman shall assist the chairman with his work, where the chairman fails to chair a meeting for no reasons or is unable to chair a meeting for special reasons, the meeting shall be chaired by the vice chairman (if the Company has two or more vice chairmen, the vice chairman recommended by more than half of all the directors shall chair the meeting), where vice chairman is unable to chair or fails to chair the meeting, the meeting shall be chaired by the director recommended by more than half of all the directors.

#### **Article 35 Examining the Motions**

The chairman of the meeting shall declare the commencement of the meeting as scheduled. The directors in presence 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 of the meeting are insufficient or unclear, they may make a proposal jointly 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 attorneys 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 can 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 removal of the directors;
- (2) the appointment and dismissal of the senior management personnel;

- (3) the remuneration of the directors and senior management personnel;
- (4) the loans made by the Company to its shareholders, the person in actual control of the Company or the associated enterprises of the Company or other money transfer between them, the amounts of which are equivalent to or exceed the relevant thresholds of the Company's material connected transactions (which shall be determined in accordance with the standards promulgated from time to time by the relevant regulatory authorities) 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 shareholders consider to be detrimental to the interests of minority shareholders.
- (6) any matters required by laws, administrative rules, regulations of the competent authorities, the Articles of Association and these Rules.

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

- (1) consent;
- (2) opinion reserved and reasons;
- (3) opposition and its reasons;
- (4) no opinion can be expressed and the obstacles.

#### **Article 36 Voting on the 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 rights of voting within the 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 the following matters the resolutions of which shall be passed by the consent of more than two-thirds of the directors, the other matters shall be passed by the consent of more than one-half of the directors provided that the external guarantee should also be approved by more than two thirds of the board of directors:

- (1) to formulate proposals for the credit and financial policies of the Company, the increase or reduction of the registered capital of the Company and the issuance of debentures and securities of any kind (including but without limitation to the debentures of the Company) and the listing or repurchase of the shares of the Company;
- (2) to formulate plans for significant acquisition or disposal proposals, the merger, division, change of corporate form or dissolution of the Company;
- (3) to formulate proposals for any amendment to the Articles of Association and its schedules.

The resolutions of the board of directors may be decide 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 cast one more vote.

**Article 37** If a director or his associate (as defined in the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange Limited) have a material interest in any contract, transaction, arrangement or other matters that requires the approval of the board of directors, the relevant director shall not vote for the relevant matter at the meeting of the board of directors, and shall not be listed in the quorum of the meeting.

**Article 38** Where directors have connected relations with the enterprises mentioned in the decision made by the board of directors, the directors shall neither vote on this decision nor act as agent for other directors to exercise voting power. The board meeting may not be convened unless it has more than half of the non-connected present directors and the decisions made by the board of directors requires the approval of half of the directors without connected relations. Where the present non-connected directors are less than 3, the relevant motions shall be submitted directly to the shareholders' general meeting for examination.

**Article 39 Liability of Directors in respect of Resolutions of the Board of Directors' Meetings**

The directors shall be responsible for the resolutions passed at the meetings of the board of directors. Any director who participating in voting on a resolution which contravenes the laws, administrative regulations, the Articles of Association or its appendices or shareholders' resolutions, thus causing serious damages to the Company shall be directly liable (including the compensation of damages) for all the loss 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.

**Article 40 Resolutions of the Meeting**

In principle, the board of directors' meeting shall resolve on all the matters examined at the meeting.

A resolution on the Company's connected transaction shall not be valid until it is consented by all directors.

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

**Article 41 Minutes of the Meetings**

Minutes of the board of directors' meeting are proof of the resolutions on the matters examined at the meeting. Detailed 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 the present, the names of appointing directors and their attorneys;
- (3) the agenda of the meeting;
- (4) the essential points of the directors' presentations (for the written resolution meeting, the version containing the directors' feedbacks 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 votes that were waived);
- (6) the directors' signature.

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 each meeting shall be provided to the directors for review without delay. Those directors who wish to make supplementary revision on the minutes shall report their opinions on the revision to the chairman of the board of directors in written form within one week after the receipts of the minutes of the board meeting. After the minutes of board meeting are finally determined, the attending directors, the secretary of the board of directors and the minute-taking officer shall sign the minutes of the board meeting. The secretary of the board of directors shall deliver the complete duplicate of the minutes to all directors. The minutes of the board meeting, being an important document, shall be kept at the business address of the Company for at least 10 years.

## **CHAPTER 7      DISCLOSURE OF INFORMATION RELATING TO THE BOARD OF DIRECTORS' MEETING**

**Article 42** 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 43** 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 divergent views and cannot reach any consensus, the board of directors shall disclose the respective opinions of each of the independent directors.

**Article 44** Regarding confidential information, the attendees of the meeting must keep such information confidential. Punishment shall be imposed on those who are in breach of this duty.

## **CHAPTER 8      IMPLEMENTATION OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS' MEETING AND FEEDBACKS**

**Article 45** The following matters shall not be implemented until they are examined and preliminarily approved by the board of directors and the shareholders' general meeting :

- (1) the formulation of the Company's annual preliminary and final financial 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, as well as the listing or repurchase of the shares of the Company;
- (4) the formulation of plans for merger, division, change of corporate form or dissolution of the Company;
- (5) the formulation of proposals for any amendment to the Articles of Associations and its appendices;
- (6) 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; and
- (7) any matters required by laws, administrative rules, regulations of the competent authorities, the Articles of Association and these Rules.



**Article 46** After resolutions are passed at a board of directors' meeting, the president shall implement the resolutions which fall within the scope of the authority of the president, or which the board of directors authorises the president to handle, and shall report the status of implementation to the board of directors.

**Article 47** 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 48** At each board of directors' meeting, the president shall deliver a written 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 49** Under the direction of the board of directors and the chairman, the secretary of the board of directors shall take 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 9 SUPPLEMENTAL ARTICLES**

**Article 50** Where these Rules fail to comply with relevant laws, regulations and other regulatory documents or regulatory provisions in the place where the Company's shares is listed as promulgated from time to time, these laws, regulations and other regulatory documents or regulatory provisions in the place where the Company's shares is listed shall prevail.

**Article 51** Upon the consensus of more than two thirds of all directors of the Company, the formulation of and the amendment to these Rules shall come into effect if they are adopted by the shareholders' general meeting by a special resolution and approved by the relevant authorities.

**Article 52** These Rules shall be interpreted by the board of directors.