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If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Jilin Chemical Industrial Company Limited, you should hand this circular together with the enclosed form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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JILIN CHEMICAL INDUSTRIAL COMPANY LIMITED

吉林化學工業股份有限公司

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

(Stock Code: 0368)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

**PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE
FOR THE GENERAL MEETINGS OF THE SHAREHOLDERS**

**PROPOSED RULES OF PROCEDURE
FOR THE MEETINGS OF THE BOARD OF DIRECTORS**

**PROPOSED RULES OF PROCEDURE
FOR THE MEETINGS OF THE SUPERVISORY COMMITTEE**

A notice convening the annual general meeting of Jilin Chemical Industrial Company Limited to be held at 9:00 a.m. on Friday, 20 May 2005 at No. 9 Longtan Street, Longtan District, Jilin City, Jilin Province, the People's Republic of China was despatched on 31 March 2005. An announcement of the additional proposed resolutions to be considered and approved at the annual general meeting was published on 19 April 2005.

If you intend to attend the annual general meeting, please complete and return the reply slip despatched to you on 31 March 2005 in accordance with the instructions printed thereon as soon as possible and in any event no later than 5:00 p.m. on 30 April 2005.

Whether or not you are able to attend the annual general meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event no later than 9:00am on 19 May 2005 or not less than 24 hours before the time appointed for holding of any adjournment of the annual general meeting. Completion and return of the proxy form shall not preclude you from attending and voting at the annual general meeting or any adjournment thereof should you so wish.

26 April 2005

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms and expressions shall have the following meanings:

“Additional Proposed Resolutions”	the resolutions proposed by the Supervisory Committee in accordance with the Articles of Association for the Company’s shareholders’ consideration and approval at the AGM
“AGM”	the annual general meeting of the Company to be held at No. 9 Longtan Street, Longtan District, Jilin City, Jilin Province, the PRC at 9:00 a.m. on Friday, 20 May 2005 for the shareholders of the Company to consider and approve the resolutions set out in the notice of the annual general meeting and this circular
“AGM Notice”	the notice of the AGM dispatched on 31 March 2005
“Announcements”	the announcement of the Company dated 31 March 2005 in relation to the proposed amendments to the Articles of Association and the announcement of the Company dated 19 April 2005 in relation to the additional proposed resolutions to be considered and approved at the AGM
“Articles of Association”	the articles of association of the Company approved and adopted at the extraordinary general meeting
“Board”	the board of Directors
“Company”	Jilin Chemical Industrial Company Limited, a joint stock limited company incorporated in the PRC with H Shares listed on the Stock Exchange and A shares listed on the Shenzhen Stock Exchange
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“PRC”	The People’s Republic of China

DEFINITIONS

“Proposed Amendments to the Articles of Association”	the proposed amendments to the Articles of Association as set out in the appendix to this circular headed “Proposed Amendments to the Articles of Association” for the Company’s shareholders’ consideration and approval at the AGM
“Proposed Board Meeting Rules”	the proposed rules of procedure for the meetings of the board of directors of the Company as set out in the appendix to this circular headed “Proposed Rule of Procedure for the Meetings of the Board of Directors” for the Company’s shareholders’ consideration, approval and adoption as an appendix to the Articles and Association at the AGM
“Proposed Supervisory Committee Meeting Rules”	the proposed rules of procedure for the meetings of the supervisory committee of the Company as set out in the appendix to this circular headed “Proposed Rule of Procedure for the Meetings of the Supervisory Committee” for the Company’s shareholders’ consideration, approval and adoption as an appendix to the Articles and Association at the AGM
“Shareholders”	shareholders of the Company
“Shareholders’ Meeting Rules”	the rules of procedure for the general meetings of the shareholders of the Company which have been approved and adopted by the shareholders of the Company at the extraordinary general meeting on 20 January 2005
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company

LETTER FROM THE CHAIRMAN



JILIN CHEMICAL INDUSTRIAL COMPANY LIMITED 吉林化學工業股份有限公司

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

Executive Directors:

Yu Li
Shi Jianxun
Zhang Xingfu

Non-executive Directors:

Xu Fengli
Ni Muhua
Jiang Jixiang
Lan Yunsheng

Independent Non-executive Directors:

Lü Yanfeng
Wang Peirong
Fanny Li
Zhou Henglong

Legal address:

No. 9 Longtan Street
Longtan District
Jilin City
Jilin Province
The People's Republic of China

Principal place of business

in Hong Kong:
23rd Floor, Entertainment Building
30 Queen's Road
Central
Hong Kong

26 April 2005

To the Shareholders

Dear Sir or Madam,

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE FOR THE GENERAL MEETINGS OF THE SHAREHOLDERS

PROPOSED RULES OF PROCEDURE FOR THE MEETINGS OF THE BOARD OF DIRECTORS

PROPOSED RULES OF PROCEDURE FOR THE MEETINGS OF THE SUPERVISORY COMMITTEE

INTRODUCTION

The Board refers to the Announcements which set out the Proposed Amendments to the Articles of Association and Additional Proposed Resolutions.

LETTER FROM THE CHAIRMAN

The Board has received Additional Proposed Resolutions as set out below from the Supervisory Committee for the shareholders' consideration and approval at the AGM. The Board, in accordance with the Articles of Association, has reviewed the Additional Proposed Resolutions and has agreed to propose the same for shareholders' consideration and approval at the AGM.

The purpose of this circular is to provide you with the information and the recommendation of the Directors in respect of the Proposed Amendments to the Articles of Association and Additional Proposed Resolutions.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADDITIONAL PROPOSED RESOLUTIONS

The Additional Proposed Resolutions as set out below in accordance with the provisions under the Notice of the Request to the Listed Company to Amend the Articles of Association (Zheng Jian Gong Si Zi [2005] No. 15) issued by CSRC on 22 March 2005:

- (a) to consider and approve the proposed amendments to the relevant provisions of the Articles of Association (collectively the "Proposed Amendments to the Articles of Association"), the details of which are set out in the appendix to this circular headed "Proposed Amendments to the Articles of Association";
- (b) to consider and approve the proposed amendments to the Shareholders' Meeting Rules (collectively the "Proposed Amendments to the Shareholders' Meeting Rules") and to adopt the amended Shareholders' Meeting Rules as an appendix to the Articles of Association, the details of which are set out in the appendix to this circular headed "Proposed Amendments to the Rules of Procedure for the General Meetings of the Shareholders";
- (c) to consider and approve the Proposed Board Meeting Rules and to adopt the Proposed Board Meeting Rules as an appendix to the Articles of Association, the details of which are set out in the appendix to this circular headed "Proposed Rules of Procedure for the Meetings of Board of Directors"; and
- (d) to consider and approve the Proposed Supervisory Committee Meeting Rules and to adopt the Proposed Supervisory Committee Meeting Rules as an appendix to the Articles of Association, the details of which are set out in the appendix to this circular headed "Proposed Rules of Procedure for the Meetings of the Supervisory Committee".

As an integral part of the Additional Proposed Resolutions, the Board will be authorized to take any action as it thinks fit to implement the resolutions mentioned above.

LETTER FROM THE CHAIRMAN

RECOMMENDATION

The Directors consider that the Additional Proposed Resolutions are fair and reasonable so far as the shareholders of the Company are concerned and accordingly recommend the shareholders of the Company to consider and vote in favour of the Additional Proposed Resolutions which will be proposed at the AGM.

AGM

The Proposed Amendments to the Articles of Association, Proposed Amendments to the Shareholders' Meeting Rules and adoption of the amended Shareholders' Meeting Rules, Proposed Board Meeting Rules and Proposed Supervisory Committee Meeting Rules as appendices to the Articles of Association are subject to the approval of the shareholders of the Company by way of special resolutions and approval and/or endorsement on registration as may be required by the relevant PRC authorities.

The AGM Notice was despatched together with the 2004 annual report of the Company on 31 March 2005. The AGM will be held at 9:00 a.m. on Friday, 20 May 2005 at No. 9 Longtan Street, Longtan District, Jilin City, Jilin Province, the PRC.

A proxy form revised to replace the proxy form despatched together with the 2004 annual report of the Company is enclosed hereto for use in connection with the AGM. Whether or not you are able to attend the annual general meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event no later than 9:00 a.m. on 19 May 2005 or not less than 24 hours before the time appointed for holding of any adjournment of the annual general meeting. Completion and return of the proxy form shall not preclude you from attending and voting at the annual general meeting or any adjournment thereof should you so wish.

Pursuant to the Articles of Association, the shareholders' meeting shall vote by show of hands unless the following persons requested for voting by poll before or after the voting by show of hands or the listing rules of the stock exchanges on which the shares of the Company are listed require otherwise:

- (a) the Chairman of the meeting; or
- (b) at least two Shareholders present in person or by proxy and entitled to vote; or
- (c) any Shareholder or Shareholders present in person or by proxy and representing in the aggregate not less than one-tenth (inclusive) of the total voting rights of all Shareholders having the right to vote at the meeting.

LETTER FROM THE CHAIRMAN

GENERAL

According to the Articles of Association, the register of members of the Company will close from 21 April 2005 to 20 May 2005 (both days inclusive), during which time no share transfer will be effected.

Holders of the H shares of Company whose names appear on the register of the members maintained by Hong Kong Registrars Limited and holders of domestic shares whose names appear on the domestic shares register maintained by the Company at 4:00 p.m. on 20 April 2005 are entitled to attend the AGM.

Shareholders of the Company intending to attend the AGM should return the reply slip for attending the AGM to the Company no later than 5:00 p.m. on 30 April 2005.

The relevant information relating to the Additional Proposed Resolutions are available for consideration by the holders of domestic shares at the website designated by Shenzhen Stock Exchange (<http://www.cninfo.com.cn>).

Yours faithfully,
By order of the Board
Yu Li
Chairman

1. EXISTING ARTICLE 53

The following provision shall be added to the existing Article 53:

“Any controlling shareholder of the Company (as defined below) and any person who has control of the Company shall act in good faith towards the Company and public shareholders. The controlling shareholder shall exercise its rights as a contributor to the capital of the Company strictly in compliance with the laws and regulations. The controlling shareholder shall not take advantage of connected transactions, distributions of dividends, assets restructuring, external investments, occupation of funds and creation of securities for loans to the detriment of the lawful rights and interests of the Company and its public shareholders. The controlling shareholder shall not take advantage of his control of the Company to the detriment to the interests of the Company and public shareholders.”

2. NEW ARTICLE 80

The following provision shall be added as new Article 80 and the existing Article 80 and the articles thereafter shall be re-numbered accordingly:

“Article 80

Apart from the approval by the shareholders at the general meeting, any of the following issues or the relevant application in relation thereto shall only be carried out if approved by at least half of the shares carrying voting rights held by the public shareholders voting at the general meeting:

- (1) Any issue of new shares to the public (including issue of overseas listed foreign investment shares or other share titles), issue of convertible debentures, placing of shares to existing shareholders (except in such placings where the controlling shareholder has provided an undertaking to fully subscribe for the shares in cash before the general meeting is convened);
- (2) Major asset restructuring if the assets to be acquired are being proposed to be acquired at a total price which is more than 20% of the audited net book value of such assets;
- (3) Repayment of debts due to the Company by any shareholder using his shares of the Company;
- (4) Overseas listing of any significant subsidiary of the Company;
- (5) Other relevant issues which may have a substantial impact on the interests of the public shareholders in the development of the Company.”

If the Company convenes a general meeting to consider and approve any issue mentioned above, it shall provide the shareholders with an on-line voting system.

Any notice of the general meeting at which any issue mentioned above will be considered shall be re-announced within three days after the record date.

The Company shall, subject to ensuring the legality and validity of the general meetings of the shareholder, provide the public shareholders with various means, including on-line voting system and other information technologies, for their active participation in the general meetings.

The board of directors, the independent directors and the eligible shareholders may solicit votes of the shareholders of the Company to be cast at the general meeting. The soliciting of votes shall be carried out free of any charge and sufficient disclosure of information shall be made to the person whose votes are being solicited.”

3. EXISTING ARTICLE 83

The existing Article 83 shall be deleted in its entirety and replaced by the following provisions and shall be re-numbered as Article 84 accordingly:

“Article 84

The cumulative voting method shall be adopted for voting in connection with the election of directors or supervisors (except for the supervisor nominated as employee representative). The main provisions of the cumulative voting system are as follows:

- (1) The cumulative voting method must be adopted where the number of directors or supervisors 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 number of votes corresponding to the number of directors or supervisors to be elected;
- (3) The notice of the shareholders’ general meeting shall specify the adoption of the cumulative voting method for the election of the directors or supervisors. The person convening the meeting shall prepare ballot papers suitable for carrying out the cumulative voting method and shall specify, in writing, the methods for casting cumulative votes, completing the ballot paper and calculating the votes;
- (4) While voting on the election of directors or supervisors at a shareholders’ general meeting, a shareholder may exercise his voting rights by casting all his votes represented by each of his shares as mentioned above on each director or supervisor candidate in equal number; or he may exercise his voting rights in a way to cast all his votes represented by each of his shares as mentioned above on one director or supervisor candidate or he may cast his votes represented by each of his shares as mentioned above on some of the director or supervisor candidates;

- (5) If a shareholder exercises his voting rights by casting all his votes represented by each of his shares corresponding to the number of directors or supervisors to be elected on one or some of the director or supervisor candidate(s), he shall have no right to vote on other director or supervisor candidates;
- (6) In the event that the total number of the votes cast by a shareholder on one or several directors or supervisors exceeds the number of the voting rights carried by all of his shares, 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 or supervisors is less than the voting rights carried by all his shares, the votes cast by such shareholder shall be valid and the voting rights attributable to the difference between the number of votes actually cast and the number of votes which such shareholder is entitled to cast shall be deemed to have been waived by him;
- (7) A director or supervisor candidate who has received votes exceeding half of the number of the shares carrying voting rights (assuming the cumulative voting is not adopted) represented by the shareholders attending the general meeting shall be elected as the director or supervisor. However, if the number of such candidates exceeds the number of the director(s) or supervisor(s) required to be elected at the general meeting, candidate(s) who has (have) received largest number of votes shall be elected for the post(s) of the director(s) or supervisor(s) required to be elected (in case that such candidate(s) has(have) received equal number of votes, none of them shall be elected); if the number of such candidates is less than the number of the directors or supervisors required to be elected at the general meeting, (a) new round(s) of voting shall be held to fill in all the remaining vacancies of the directors or supervisors.
- (8) In the event that (a) new round(s) of voting for directors or supervisors is (are) required to be held at the general meeting under paragraph (7) above, the cumulative votes of the shareholders shall be re-calculated based on the number of directors or supervisors to be elected in each round.”

4. EXISTING ARTICLE 101

The following provision shall be added to the existing Article 101 as additional paragraph (13):

“(13) Other rights provided for under the laws, administrative regulations and the Articles of Association or delegated by the shareholders at the general meeting.”

5. EXISTING ARTICLE 105

The first paragraph of the existing Article 105 shall be deleted in its entirety and replaced by the following provision:

“The board meetings shall be held at least four times a year and such meeting should be convened by the chairman of the board of directors. Notice of at least 14 days shall be given of a regular board meeting to all the directors. Notice of at least 10 days shall be given of an extraordinary board meeting.”

6. EXISTING ARTICLE 121

The existing Article 121 shall be deleted in its entirety and replaced by the following provision and shall be re-numbered as Article 122 accordingly:

“Article 122

An independent director may resign prior to the expiry of his term. An independent director shall submit his resignation to the board of directors in writing in which he shall specify any reason which is related to his resignation or which, in his opinion, is necessary to be brought to the attention of the shareholders and creditors of the Company. If the resignation of any independent director shall cause the number of the independent directors to fall below one third of the number of the directors of the board, prior to the commencement of the appointment of the new independent director, the resigning independent director shall stay in his office to discharge his duties. The board of directors shall elect a new independent director within two months failing which, the resigning independent director may vacate his office.”

7. EXISTING ARTICLE 122

The existing Article 121 shall be deleted in its entirety and replaced by the following provision and shall be re-numbered as Article 122 accordingly:

“Article 123

In additional to the rights vested in and duties imposed on the directors under the Company Law and other relevant laws and regulations, the independent directors shall have the following special rights and duties:

- (1) that any significant connected transaction to be considered by the board of directors and the shareholders as required by the law shall only be proposed to shareholders upon the consideration by the board of directors and approval in writing by the independent directors according to the prevailing rules and regulations of the relevant authorities and shall be effective only if considered and approved by the shareholders at the general meeting according to the law;
- (2) to propose to the board of directors to appoint or terminate the appointment of the accountants;
- (3) to propose to the board of directors to convene an extraordinary general meeting of the shareholders;
- (4) to propose to the board of directors to hold a meeting of the board of directors;
- (5) to independently engage external auditors or consultants;
- (6) to openly solicit votes from the shareholders before a general meeting of the shareholders is convened.

The Company shall disclose any failure to adopt any of such proposals mentioned above or any failure of the independent directors to exercise any rights and duties mentioned in a normal manner.

Any significant connected transaction, appointment or termination of appointment of the accountants shall only be proposed for the consideration of the board of directors if approved by more than half of the independent directors. An independent director shall only propose to the board of directors to convene an extraordinary general meeting of the shareholders or to hold a meeting of the board of directors and may only openly solicit votes from the shareholders before a general meeting of the shareholders is convened if approved by more than half of the independent directors. An independent director may independently engage external auditors or consultants if approved by all the independent directors.”

8. EXISTING ARTICLE 124

The first sub-paragraph of paragraph (1) of the existing Article 124 shall be deleted in its entirety and replaced by the following provision:

“The Company shall ensure that the independent directors enjoy the same right to the information as the other directors. The Company shall provide the independent directors with the relevant materials and information in timely manner, report to them the operation of the Company on regular basis and organize on-site inspection for them if necessary. The Company shall give the independent directors prior notice as required by the law and provide sufficient information in relation to any matter to be decided by the board of directors. Any independent director who considers the information provided insufficient may request for additional information. If two or more independent directors consider the information provided insufficient or reasons given not well supported, they may jointly propose to the board of directors in writing to adjourn the meeting of the board of directors or the consideration of such matters. The board of directors shall adopt such proposals.”

9. EXISTING ARTICLE 125

The existing Article 125 shall be deleted in its entirety and replaced by the following provision and shall be re-numbered as Article 126 accordingly:

“Article 126

The independent directors shall have fiduciary and diligent duties to the Company and all its shareholders. The independent directors shall attend the meeting of the board of directors as scheduled, understand the operations of the Company, take initiatives to investigate and obtain all information and materials as necessary for making a decision. The independent directors shall submit an annual report on their work in the name of all the independent directors to the shareholders at the annual general meeting.”

10. EXISTING ARTICLE 126

The existing Article 126 shall be deleted in its entirety and replaced by the following provision and shall be re-numbered as Article 127 accordingly:

“Article 127

The independent directors shall faithfully discharge their duties and protect the interests of the Company according to the laws, regulations and the provisions hereof and shall, in particular, be attentive to the lawful rights and interests of the minority shareholders (including the public shareholders) to ensure the same free from any harm.”

11. EXISTING ARTICLE 127

The existing Article 127 shall be deleted in its entirety and replaced by the following provision and shall be re-numbered as Article 128 accordingly:

“Article 128

The one third of the members of the board of directors shall be independent directors, one of whom should have accounting qualification. The independent directors shall discharge their duties independently of any controlling shareholder or any person who has control of the Company or any entity or person who has an interest with the Company or any of its substantial shareholders or any person who has effective control of the Company.”

12. NEW ARTICLE 132

The following provision shall be added as new Article 132 and the existing Article 131 and the articles thereafter shall be re-numbered accordingly:

“The Company shall take initiatives to establish a comprehensive investor relationship management system and enhance the communication with the shareholders, in particular, the public shareholders. The company secretary shall be in charge of the investor relationship management system.”

13. EXISTING ARTICLE 155

The existing sub-paragraph (2) of paragraph 2 of the existing Article 155 shall be deleted in its entirety and replaced by the following provision:

“(2) Any security to any external party in the amount of not exceeding 10% of the net assets value of the Company as set out in the audited consolidated financial statements of the Company for the latest financial year may be approved by the board of directors. Any security to any external party in the amount exceeding 10% of the net assets value of the Company as set out in the audited consolidated financial statements of the Company for the latest financial year shall be proposed, upon consideration and approval by the board of directors, for the shareholders’ approval at the general meeting. The Company shall not, directly or indirectly, provide security for the liabilities of any person whose assets-liabilities ratio is over 70%.”

The existing sub-paragraph (4) of paragraph 2 of the existing Article 155 shall be deleted in its entirety and replaced by the following provision:

“(4) The amount for which any one-off security or any security to any single person is provided shall not exceed 10% of the net assets value as set out in the audited consolidated financial statements of the Company for the latest financial year and the total amount for which the securities are provided shall not exceed 50% of the net assets value as set out in the consolidated financial statements of the Company for the latest financial year.”

14. NEW ARTICLE 210

The following provision shall be added as new Article 210:

“Article 210

The board of directors of the Company shall prepare for the Rules of Procedure for the General Meetings of the Shareholders and Rules of Procedure for the Meetings of the Board of Directors according to the laws, administrative regulations and the relevant provisions hereof. The supervisory committee of the Company shall prepare for the Rules of Procedure for the Meetings of the Supervisory Committee according to the laws, administrative regulations and the relevant provisions hereof. The Rules of Procedure for the General Meetings of the Shareholders, the Rules of Procedure for the Meetings of the Board of Directors and the Rules of Procedure for the Meetings of the Supervisory Committee shall be effective as appendices to the Articles of Association upon approval by the shareholders at the general meeting.”

1. EXISTING ARTICLE 1

The existing Rule 1 shall be deleted in its entirety and replaced by the following provisions:

“Article 1

These Rules are formulated in accordance with the laws and regulations governing the listed companies in domestic or overseas jurisdictions, including the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Mandatory Provisions for the Articles of Association of Overseas Listed Companies, the Guidelines on the Articles of Association of Listed Companies, the Code on Corporate Governance of Listed Companies, the Opinions on Standardizing the Shareholders’ General Meetings of Listed Companies, the Rules Governing the Listing of Securities on Shenzhen Stock Exchange (hereinafter referred to as “Shenzhen Listing Rules”) and the Rules Governing the Listing of Securities on Hong Kong Stock Exchange Limited (hereinafter referred to as “Hong Kong Listing Rules”) and the provisions of the Articles and Association (hereinafter referred to as the “Articles”) of Jilin Chemical Industrial Company Limited, in order to protect the lawful interests of Jilin Chemical Industrial Company Limited (hereinafter referred to as the “Company”) and its shareholders, to clearly define the responsibilities and authorities of the shareholders’ general meeting, to ensure the shareholders’ general meeting to be conducted in a standardized, efficient and smooth manner and its responsibilities and authorities powers are fulfilled and exercised according to the law.”

2. NEW ARTICLE 12

The following provisions shall be added as new Article 12 and the existing Article 12 and the articles thereafter shall be re-numbered accordingly:

“Article 12

Apart from the approval by the shareholders at the general meeting, any of the following issues or the relevant application in relation thereto shall only be carried out if approved by at least half of the shares carrying voting rights held by the public shareholders voting at the general meeting:

- (1) Any issue of new shares to the public (including issue of overseas listed foreign investment shares or other share titles), issue of convertible debentures, placing of shares to existing shareholders (except in such placings where the controlling shareholder has provided an undertaking to fully subscribe for the shares in cash before the general meeting is convened);
- (2) Major asset restructuring if the assets to be acquired are being proposed to be acquired at a total price which is more than 20% of the audited net book value of such assets;

- (3) Repayment of debts due to the Company by any shareholder using his shares of the Company;
- (4) Overseas listing of any significant subsidiary of the Company;
- (5) Other relevant issues which may have a substantial impact on the interests of the public shareholders in the development of the Company.

If the Company convenes a general meeting to consider and approve any issue mentioned above, it shall provide the shareholders with an on-line voting system.

Any notice of the general meeting at which any issue mentioned above will be considered shall be re-announced within three days after the record date.

The Company shall, subject to ensuring the legality and validity of the general meetings of the shareholder, provide the public shareholders with various means, including on-line voting system and other information technologies, for their more participation in the general meetings.

The board of directors, the independent directors and the eligible shareholders may solicit votes of the shareholders of the Company to be cast at the general meeting. The soliciting of votes shall be carried out free of any charge and sufficient disclosure of information shall be made to the person whose votes are being solicited.”

3. EXISTING ARTICLE 13

The exiting Article 13 shall be deleted in its entirety and replaced by the following provisions and shall be re-numbered as Article 14 accordingly:

“Article 14

To ensure and enhance the smooth and efficient daily operation of the Company, the general meeting of the shareholders hereby authorize, expressly and with restrictions the board of directors to exercise the following rights and powers in respect of investment plans and assets disposal:

1. Investment:
 - (1) The shareholders’ general meeting shall consider and approve the mid and long term investment plans and the annual investment plans of the Company; it shall delegate to the board of directors the right 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, fixed assets investment and external equity investment), the shareholders' general meeting shall consider and approve any project with an investment amount exceeding 10% of the latest audited net assets value of the Company; it shall authorize the board of directors to consider and approve any project with an investment amount not more than 10% of the latest audited net assets value of the Company provided that such project is not subject to shareholders' approval as required under Hong Kong Listing Rules or Shenzhen Listing Rules.

2. Assets disposal:

- (1) The Company shall take into the account of the following four ratios in relation to any acquisition and disposal of assets:
 - (A) the total assets ratio: the total value of assets to be acquired or disposed of (as set out in the latest audited financial report, valuation report or capital verification report) divided by the latest audited total assets value of the Company;
 - (B) the net profit (loss) ratio relating to the acquisition of assets: the amount of the net profit or loss relating to the acquired assets (as set out in the audited financial statements for the preceding year) divided by the amount of the audited net profit or loss of the Company for the preceding year;
 - (C) the net profit (loss) ratio relating to the disposal of assets: the amount of the net profit or loss relating to the disposed assets (as set out in the audited financial statements for the preceding year) or the profit or loss generated from such transaction divided by the amount of the audited net profit or loss of the Company for the preceding year;
 - (D) the transaction price ratio: the price at which the assets are to be acquired (including the liabilities and expenses to be borne) divided by the latest audited total net assets value of the Company.

The shareholders' general meeting shall consider and approve any project for which any ratio as set out above exceeds 25%; it shall delegate the board of directors the right to consider and approve any project for which any ratio as set out above is less than 25% provided that such project is not subject to any shareholders' approval as required under Hong Kong Listing Rules or Shenzhen Listing Rules.

- (2) In relation to the disposal of fixed assets, if the total amount of the estimated value of the fixed assets proposed to be disposed and the value of the fixed assets disposed within four months prior to such disposal exceeds 33% of the value of the fixed assets as set out in the balance sheet considered and approved by the shareholders at the latest general meeting, such disposal is subject to consideration and approval by shareholders at the general meeting. The board of directors shall neither dispose nor agree to dispose such fixed assets without prior approval by the shareholder at the general meeting.

For the purposes of these Rules, the term “disposal” of fixed assets includes the transfer of certain interest in the assets except for any creation of security over the fixed assets.

The validity of any transaction of the Company in connection with the disposal of fixed assets shall not be affected by any breach of the provisions hereof mentioned above.

3. Security to external parties:

Any security provided for an amount exceeding 10% of the net assets value of the Company as set out in the audited combined financial statements for the latest financial year shall be subject to the consideration and approval by the shareholders at the general meeting. The board of directors is authorized to consider and approve any security which is provided for an amount less than 10% of the net assets value of the Company as set out in the audited combined financial statements for the latest financial year provided that it is not subject to the shareholders’ approval as required under Hong Kong Listing Rules or Shenzhen Listing Rules.

4. Any of the investment, assets disposal, provision of security mentioned above which shall be submitted for approval by more than two authorities according to the rules mentioned above shall be submitted for approval by the highest authority.
5. Any of the investments or asset disposals mentioned above which constitutes a connected transaction in accordance with the applicable rules and regulations in the jurisdictions where shares of the Company are listed shall be dealt with according to such rules and regulations.”

4. EXISTING ARTICLE 24

The first paragraph of the existing Article 24 shall be deleted in its entirety and replaced by the following provisions:

“Any shareholder(s), individually or jointly, holding more than 5% of the total number of the shares of the Company carrying voting rights and the supervisory committee of the Company are entitled to propose additional resolutions to the general meeting of the shareholders and the board of directors shall review such proposal according to the following principles:”

5. EXISTING ARTICLE 58

The second paragraph of the existing Article 58 shall be deleted in its entirety and replaced by the following provisions:

“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 proposals 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.”

6. EXISTING ARTICLE 59

The existing Article 59 shall be deleted in its entirety and replaced by the following provisions and shall be re-numbered as Article 60:

“Article 60

The cumulative voting method shall be adopted for voting on motions in connection with the election of directors or supervisors at the shareholders’ general meeting in accordance with the Articles. The main provisions of the cumulative voting system are as follows:

- (1) The cumulative voting method must be adopted where the number of directors or supervisors 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 number of votes corresponding to the number of directors or supervisors 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 or supervisors. The person convening meeting must prepare such ballot papers as are suitable for carrying out the cumulative voting method and specify in writing the methods for casting cumulative votes, completing the ballot paper and calculating the votes;

- (4) While voting on the election of directors or supervisors at a shareholders' general meeting, a shareholder may exercise his voting rights by casting all his votes represented by each of his shares as mentioned above on each director or supervisor candidate in equal number; or he may exercise his voting rights in a way to cast all his votes represented by each of his shares as mentioned above on one director or supervisor candidate or he may cast his votes represented by each of his shares as mentioned above on some of the director or supervisor candidates;
- (5) If a shareholder exercises his voting rights by casting all his votes represented by each of his shares corresponding to the number of directors or supervisors to be elected on one or some of the director or supervisor candidate(s), he shall have no right to vote on other director or supervisor candidates;
- (6) In the event that the total number of the votes cast by a shareholder on one or several directors or supervisors exceeds the number of the voting rights carried by all of his shares, 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 or supervisors is less than the voting rights carried by all his shares, the votes cast by such shareholder shall be valid and the voting rights attributable to the difference between the number of votes actually cast and the number of votes which such shareholder is entitled to cast shall be deemed to have been waived by him;
- (7) A director or supervisor candidate who has received votes exceeding half of the number of the shares carrying voting rights (assuming the cumulative voting is not adopted) represented by the shareholders attending the general meeting shall be elected as the director or supervisor. However, if the number of such candidates exceeds the number of the director(s) or supervisor(s) required to be elected at the general meeting, candidate(s) who has (have) received largest number of votes shall be elected for the post(s) of the director(s) or supervisor(s) required to be elected (in case that such candidates has received equal number of votes, none of them shall be elected); if the number of such candidates so elected is less than the number of the directors or supervisors required to be elected at the general meeting, (a) new round(s) of voting shall be held to fill in all the remaining vacancies of directors or supervisors.

- (8) In the event that (a) new round(s) of voting for directors or supervisors is (are) required to be held at the general meeting under paragraph (7) above, the cumulative votes of the shareholders shall be re-calculated based on the number of directors or supervisors to be elected in each round.”

7. NEW ARTICLE 78

The following provisions shall be added as new Article 78:

“Article 78

Reference herein to “more than”, “exceeding” shall be inclusive and “not more than”, “not exceeding”, “less than” shall be exclusive.”

**RULES OF PROCEDURE FOR THE MEETINGS OF THE BOARD OF DIRECTORS
OF JILIN CHEMICAL INDUSTRIAL COMPANY LIMITED****CHAPTER I GENERAL PROVISIONS**

Article 1 These Rules are formulated in accordance with the laws, rules and regulations governing the listed companies in domestic and overseas jurisdictions, including the Company Law of the People's Republic of China, the Mandatory Provisions for the Articles of Association of Overseas Listed Companies, the Guidelines on the Articles of Association of Listed Companies, the Standards on Corporate Governance for Listed Companies, the Opinions on Further Standardising Operations and Intensifying Reform of Companies Listed Overseas, the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange (hereinafter referred to as "Shenzhen Listing Rules"), the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as "Hong Kong Listing Rules"), and the Articles and Association of Jilin Chemical Industrial Company Limited (hereinafter referred to as the "Articles of Association"). In order to ensure that the board of directors (hereinafter referred to as the "Board") of Jilin Chemical Industrial Company Limited (hereinafter referred to as the "Company") discharges its duties and responsibilities conferred by the shareholders as a whole and is able to make decision in a rational, prompt and prudential manner and in order to standardize the operating procedures of the Board.

CHAPTER II COMPOSITION OF THE BOARD AND ITS SUBORDINATE OFFICES

Article 2 The Board shall consist of 11 directors, including one chairman and one vice-chairman.

Article 3 Each director shall ensure that he will devote sufficient time and effort in handling the affairs of the Company.

Article 4 The Board shall establish the strategy, audit, nomination, remuneration and evaluation committees. These special committees shall consider specific matters and give their opinions and proposals for the Board's reference when the Board makes decisions.

Any of these special committees shall comprise directors only and the majority of members of the four special committees, namely audit committee, nomination committee, remuneration committee and evaluation committee, shall be independent directors, who will be responsible for convening meetings. The audit committee shall have at least one independent director who shall be an accounting professional.

Article 5 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

Article 6 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 for the Company's annual preliminary and final financial budgets;
- (5) to prepare for the Company's profit distribution and loss recovery plans;
- (6) to prepare for the Company's registered capital increase or reduction proposal;
- (7) To prepare for the proposals for the issue of the Company's bonds;
- (8) to prepare for the proposals for merger, division or dissolution of the Company;
- (9) to decide on the establishment of the Company's internal management bodies;
- (10) to appoint or remove the Company's general manager according to the proposal of the chairman or the nomination committee under the Board; appoint or remove the Company's deputy general manager and other officers according to the proposal of the general manager; and to determine their remunerations;
- (11) to formulate the Company's fundamental management rules and regulations;

- (12) to prepare for proposals for any amendment to the Articles of Association;
- (13) to elect the chairman and vice-chairman of the Board;
- (14) to determine the provision of security by the Company to external parties (including creation of mortgage on assets) within the authorization granted by the shareholders' general meeting and to the extent as permitted by Hong Kong Listing Rules and Shenzhen Listing Rules;
- (15) other functions and powers that are stipulated by laws, administrative regulations or the Articles of Association and granted by the shareholders' general meeting.

Article 7

Necessary conditions for the performance of duties by the Board:

The Company shall provide all directors with necessary information and data so that the Board can make its decisions in a rational, prompt and prudential manner. A proper introduction 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 explanation necessary for them to make decisions in a rational, prompt and prudential manner. The Company shall note in particular that the Company must take steps to respond to the queries from the independent directors (if any) as soon as possible with response as comprehensive as practicable.

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 8

The Board shall consider and pass resolutions on the matters which the Board is required by laws, administrative rules and regulations and the Articles of Association to submit for the Shareholders' consideration and determination at the general meeting (including matters proposed by more than half of the independent directors).

The Board shall review the additional resolutions proposed by shareholders individually or jointly holding more than 5% of the Company's shares carrying voting rights and the supervisory committee of the Company at the shareholders' annual general meeting according to the standard of "relevance" as set out in the Rules of Procedure for General Meetings of the shareholders, and to decide whether to submit the additional proposed resolutions for the shareholders' consideration at the general meeting.

Article 9

The powers and authorities of the Board to consider and approve the investments shall be as follows:

- (1) The Board shall be responsible for considering and determining the Company's mid and long term investment plans and submitting them to the shareholders' general meeting for approval;
- (2) The Board shall be responsible for considering and determining the Company's annual investment plans and submitting them to the shareholders' general meeting for approval. The Board may make an adjustment less than 15% on the capital expenditure amount for the current year;
- (3) Any individual investment project (including but not limited to projects involving fixed assets and external equity investment) shall be considered and approved by the Board where the investment amount is not more than 10% of the Company's latest audited net asset value provided that such project is not subject to the shareholders' approval as required under Hong Kong Listing Rules or Shenzhen Listing Rules.

Article 10

Power and authority of the Board to approve assets disposals:

- (1) The Company shall take into the account of the following four ratios in relation to any acquisition and disposal of assets:
 - (A) the total assets ratio: the total value of assets to be acquired or disposed of (as set out in the latest audited financial report, valuation report or capital verification report) divided by the latest audited total assets value of the Company;
 - (B) the net profit (loss) ratio relating to the acquisition of assets: the amount of the net profit or loss relating to the acquired assets (as set out in the audited financial statements for the preceding year) divided by the amount of the audited net profit or loss of the Company for the preceding year;

- (C) the net profit (loss) ratio relating to the disposal of assets: the amount of the net profit or loss relating to the disposed assets (as set out in the audited financial statements for the preceding year) or the profit or loss generated from such transaction divided by the amount of the audited net profit or loss of the Company for the preceding year;
- (D) the transaction price ratio: the price at which the assets are to be acquired (including the liabilities and expenses to be borne) divided by the latest audited total net assets value of the Company.

The shareholders' general meeting shall consider and approve any project for which any ratio as set out above exceeds 25%; it shall delegate the board of directors the right to consider and approve any project for which any ratio as set out above is less than 25% provided that such project is not subject to any shareholders' approval as required under Hong Kong Listing Rules or Shenzhen Listing Rules.

- (2) Subject to the provision of the above Article 10 (1), in relation to any disposal of fixed assets, if the total amount of the estimated value of the fixed assets proposed to be disposed and the value of the fixed assets disposed within four months prior to such disposal exceeds 33% of the value of the fixed assets as set out in the balance sheet considered and approved by the shareholders at the latest general meeting, such disposal is subject to consideration and approval by shareholders at the general meeting. The board of directors shall neither dispose nor agree to dispose such fixed assets without prior approval by the shareholder at the general meeting.

Article 11 Power and authority of the Board to approve loans:

According to the annual investment plan approved by the shareholder's general meeting, the Board shall consider and approve the amount of long term and short term loans for the current year and shall authorize the chairman to execute the relevant document.

Article 12 Power and authority of the Board to approve the provision of security to external parties:

The Board shall consider and approve any provision of security to external parties for an amount not more than 10% of the net asset value as set out in the audited consolidated financial statement of the Company for the latest financial year provided that it is not subject to the shareholders' approval as required under Hong Kong Listing Rules and Shenzhen Listing Rules.

Article 13 Any of the investments, asset disposals or provision of security mentioned above which shall be submitted for approval by more than two authorities according to the rules mentioned above shall be submitted for approval by the highest authority.

Any of the investments or asset disposals mentioned above which constitutes a connected transaction in accordance with the applicable rules and regulations in the jurisdictions where shares of the Company are listed shall be dealt with according to such rules and regulations.

CHAPTER IV SECRETARY TO THE BOARD

Article 14 The Company shall have a secretary to the Board, who is a senior management of the Company and shall be accountable to both the Company and the Board. The secretary to the Board is mainly responsible for carrying out and improving the Company's corporate governance and properly dealing with the matters regarding disclosure of information.

The secretary to the Board shall assist all the directors in discharging their duties, and shall give advices and offer assistance in respect of all inquiries or requests that may be reasonably made by any director so as to ensure the compliance with the Board Meeting Rules and all applicable rules.

Article 15 The main duties of the secretary to 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 offering 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 the preparation for prompt submission of the documents required by the regulatory authorities, accepting and organizing the implementation of any assignment from the regulatory authorities, and ensuring that the Company shall prepare for and submit the reports and documents required by the relevant authorities in accordance with the law;
- (4) responsible for co-ordinating and organizing the Company's disclosure of information, establishing and improving the information disclosure system, participating in all of the Company's meetings involving the disclosure of information, and keeping informed 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 effective and practical confidentiality systems 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 domestic and overseas jurisdictions where the shares of the Company are listed;
- (6) responsible for co-ordinating and organizing marketing activities, co-ordinating reception of visitors, handling the investor relations, keeping in touch with investors, intermediaries and news media; 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 domestic and overseas marketing and promotion activities, preparing summary reports on marketing and important visits, and organizing work in relation to the submission of the reports to the regulatory authorities; establishing effective communication channels between the Company

and its shareholders (including assigning dedicated persons and/or departments), maintaining full and necessary contact with shareholders, and passing all feedback of shareholders (including their opinions and proposals) to the Board and the 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 in relation to register of shareholders, directors' register, records of the Company's shares held by major shareholders, directors, supervisors and senior management;
- (8) assisting directors and the chairman in duly implementing the domestic and foreign laws, regulations, the Articles of Association and other provisions in the course of discharging their duties and providing them with the relevant information (including but not limited to providing the newly-appointed directors with the latest information on corporate 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, the secretary to the Board has a duty to immediately remind the Board, and is entitled to report such facts to CSRC and other regulatory authorities;
- (9) co-ordinating the provision of relevant information necessary for the Company's supervisory committee and other auditing authorities to discharge their duties; assisting in carrying out investigation on the performance of the chief financial officer, directors and the general manager 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 can 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 16 The Board shall have a secretarial office, which shall be the daily working body assisting the secretary to the Board in performing his duties.

CHAPTER V SYSTEM FOR BOARD MEETINGS

Article 17 The board of directors' meetings shall be divided into regular meetings and extraordinary meetings according to the regularity of such meetings.

In relation to a regular meeting, the Board shall ensure that all directors shall have the opportunity to propose any matters which will be included in the agenda of such regular meeting. Such agenda and any documents relevant to the meeting shall be delivered to all directors in a timely manner and, in any event, no later than three days prior to the date appointed for holding of the meeting (or within the time as determined by consultation). The above arrangement shall also be adopted for extraordinary meetings when and if practicable.

Article 18 Regular meetings shall include the following:

(1) 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. Such meetings shall be convened in a timely manner to ensure the despatch of the annual report of the Company to the shareholders within the time as required under the relevant regulations and the provisions of the Articles of Association, the announcement of the financial results of the Company within the time as required under the relevant regulations and the convening of the annual general meeting of the shareholders within 180 days from the close of the financial year of the Company.

(2) Interim results meetings

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

(3) Quarterly results meetings

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

Article 19

The chairman of the Board shall convene an extraordinary Board meeting within 10 working days in any one of the following circumstances:

- (1) where considered necessary by the chairman of the Board;
- (2) where jointly proposed by more than one third of the directors;
- (3) where jointly proposed by more than half of the independent directors;
- (4) where proposed by the supervisory committee;
- (5) where proposed by the general manager.

Article 20

The Board meetings may be held on-site, by video-telephone and by written resolutions.

All the meetings of the Board may be held on-site.

The Board meetings may be held by video-telephone, provided that the attending directors are able to hear clearly the director who speaks at the meeting and communicate among themselves. The meetings so convened shall be tape-recorded. In the event that the attending directors are unable to sign on the resolutions on site, they shall express their opinions orally during the meeting and complete the signing procedures as soon as practicable. The verbal voting by a director shall have the same effect as voting in writing provided that he signs on the resolutions after such meeting in consistent with the his verbal voting.

Where the matters to be examined are comparatively procedural and unique such that a discussion of the motions proves to be unnecessary, the Board 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.

Article 21 No consent of the board of directors may be obtained through the circulation of written resolutions at a regular meeting of the board of directors.

If a substantial shareholder or a director has a conflict of interest in the matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed at a board meeting) but a board meeting should be held.

CHAPTER VI PROCEEDINGS OF BOARD MEETINGS

Article 22 Proposing resolutions

The resolutions shall be proposed to the meetings of the Board in the following circumstances:

- (1) where proposed by the directors;
- (2) where proposed by the supervisory committee;
- (3) where proposed by the special committees of the Board;
- (4) where proposed by the general manager.

Article 23 Soliciting proposed resolutions

The secretary to the Board shall be responsible for soliciting the proposed resolutions to be considered at the meeting. Any person proposing such resolutions shall submit such proposed resolutions and the relevant explanatory materials before the date of the meeting. Proposed resolutions in relation to significant connected transactions which are subject to approval by the Board or the shareholders at the general meeting (as the case may be according to the rules of the relevant regulatory bodies from time to time) shall first be approved by the independent directors. The relevant materials shall be submitted to the person convening the Board meeting after being reviewed by the secretary to the Board who shall set out the time, place and agenda of the meeting in such materials.

Article 24 Convening Meetings

A Board meeting shall be convened by the chairman of the Board, who shall issue the notice of such meeting. If the chairman of the Board is unable to convene the meeting for any special reason, he shall appoint the vice-chairman or any other director to convene the meeting. If the chairman fails to convene or appoint any other person to convene a meeting or a director appointed by the vice-chairman or half of the directors jointly shall convene the meeting. The person convening the meeting shall be responsible for issuing the notice of such meeting.

Article 25 Notice of Meetings

- (1) The notice of a Board meeting shall be given to all the directors, supervisors or other persons attending the meeting before the date of such meeting. The notice of such 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 the relevant document and materials in relation to the Board meeting;
 - (iv) the date of the notice.
- (2) The notice of the Board meetings shall be given according to the following requirements:
 - (i) In the case of regular meetings, the Board shall give notice to all the directors at least fourteen (14) days prior to the date appointed for the holding of such meeting. In the case of extraordinary meetings, the Board shall give notice to all directors at least ten (10) days prior to the date appointed for the holding of the meeting.
 - (ii) The notices of regular and extraordinary meetings of the Board shall be delivered by hand, facsimile, courier or registered post.
 - (iii) The notice shall be written in Chinese and shall be accompanied by an English version (if necessary) and shall include the agenda of the meeting.

- (iv) Any director may waive the right to receive the notice of the Board meetings.

Notice of a meeting shall be deemed to have been given to any directors who attend the meeting without raising any objections based on his failure to receive the notice on or before the meeting.

Article 26 Communication before Meetings

After the date of the notice and before the date of the meeting, the secretary to the Board shall be responsible for, and shall communicate and liaise with all directors, in particular the external directors (who do not assume any position in the Company), to seek their opinions or suggestions on the proposed resolutions of the meeting, and shall pass such opinions or suggestions to the persons who proposed such resolutions, so as to enable them to make necessary amendments. The secretary to the Board shall also, in a timely manner, arrange for providing further materials required for the directors to make decisions on the proposed resolutions at the meeting, including the background information on the subject matter of the meeting and other information helpful to the directors in making rational, prompt and prudent decisions.

Where more than one fourth of the directors or more than two independent directors consider the materials provided insufficient or unclear, they may jointly make a proposal to adjourn the Board meeting or the discussion on the part of the proposed resolutions. The Board shall agree with such proposal. Unless such proposal is put forward during the meeting, the secretary to the Board shall give a notice to the directors, supervisors and other persons attending the meeting upon receiving a written request to adjourn the meeting or discussion on part of the proposed resolutions.

Article 27 Attendance at Meetings

The 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 in person. Where a director is unable to attend a meeting for any reason, he may authorize another director in writing to attend the meeting as his proxy. If an independent director is unable to attend the meeting in person, he shall authorize another independent director to attend such meeting as his proxy. The written authorization shall set out the name of the attorney, the scope of such authorization, the term of the validity of such authorization, and shall be signed or sealed by the principal.

In the event that an independent director fails to attend in person or by proxy the Board meetings consecutively for three times or any other director fails to attend in person or by proxy the Board meetings consecutively for two times, this will be regarded as a dereliction of duty. The Board shall recommend to the shareholders at the general meeting to remove such director from his office.

The Board meeting shall be chaired by the chairman of the Board. If the chairman of the Board is unable to chair the meeting, he shall appoint the vice-chairman or other directors to chair the meeting on his behalf. If the chairman of the Board fails to chair the meeting or appoint a person to chair the meeting on his behalf without any reason, a director appointed by the vice-chairman or more than half of the directors jointly shall chair the meeting. Upon the re-election of the directors at the general meetings, the director who has obtained the largest number of the votes (if more than one, one of the directors elected among themselves) shall chair the meeting at which the chairman of the Board shall be elected.

Article 28 Considering the proposed resolutions

The chairman of the meeting shall declare the commencement of the meeting as scheduled.

The meeting shall consider each of the proposed resolutions. The person proposing a resolution shall, in person or authorize other person, explain the proposed resolutions to the Board.

In reviewing the relevant plans, proposals and reports, in order to understand the main points and the background information of the same in detail, the Board may require the head of the relevant department to attend the meeting to give clarification and explanation on the relevant situation in order for the Board to make proper decisions. If any proposal considered at the meeting is found to be unclear or infeasible, the Board shall require the relevant department to give explanation and such proposals may be returned to such department for further handling and the voting thereon shall be adjourned.

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

- (1) the nomination, appointment and removal of any director;
- (2) the appointment and dismissal of any senior management;

- (3) the remuneration of the directors and senior management of the Company;
- (4) existing or new loans granted by the Company to or other funds transfer made by the Company with its shareholders, the person in effective control of the Company or the associated enterprises of the Company, the amounts of which are equivalent to or exceed the relevant thresholds for the Company's significant connected transactions which are subject to the approval by the Board or the shareholders at the general meeting in accordance with the laws and relevant rules of the regulatory bodies from time to time; 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 the minority shareholders;
- (6) other matters required under the rules of the regulatory authorities of the jurisdictions and the rules of stock exchanges where the shares of the Company are listed, and the provisions of the Articles of Association.

An independent director shall give his opinion on the above-mentioned matters by way of:

- (1) agreeing;
- (2) resending opinions with reasons;
- (3) opposing with reasons;
- (4) no opinion with reasons.

Article 29**Voting on proposed resolutions**

In reviewing the proposed resolutions at the Board meeting, all attending directors shall give their opinions by way of approval, objection or abstention.

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

If a director fails to attend a Board meeting in person or by proxy, he shall be deemed to have waived his rights to vote at the meeting.

Any resolutions of the Board with respect to any of the following matters shall be passed by more than two thirds of the directors:

- (1) to prepare for the proposals for the increase or reduction of the registered capital of the Company;
- (2) to determine the proposals for the issue of the Company's bonds;
- (3) to prepare for the proposals with respect to the merger, division or dissolution of the Company;
- (4) to prepare for the proposed amendment to the Articles of Association;
- (5) to determine to provide security by the Company to external parties (including mortgage on the assets) within the authority granted by the shareholders at the general meeting and to the extent as permitted by Hong Kong Listing Rules and Shenzhen Listing Rules;
- (6) other matters provided for by laws, administrative regulations or the Articles of Association.

Save for the above matters, other resolutions of the Board shall be passed by more than half of the directors.

The voting on the resolutions of the Board may be carried out by poll or by show of hands. Each director shall have one vote. If the number of the votes for and against a resolution are equal, the chairman of the Board shall be entitled to a casting vote.

In voting on the Company's connected transactions by the Board, the connected directors (as defined in Shenzhen Listing Rules and Hong Kong Listing Rules) who have interests in the transactions shall abstain from voting. No director shall vote in respect of any contracts, transactions or arrangements in which he or his associate (as defined in Shenzhen Listing Rules and Hong Kong Listing Rules) has material interests and any of their votes shall not be counted in quorum. If there is no quorum present due to the abstention from voting of the connected directors, all the directors (including the connected directors) shall pass a resolution on the procedures in relation to the submission of such transactions for shareholders' consideration at the general meeting.

Article 30 Responsibilities of directors for board resolutions

A written resolution of the Board shall not take legal effect as a resolution of the Board if it has not been passed in accordance with the prescribed 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. Any director who votes for a resolution in violation of any laws, administrative regulations or the provisions of the Articles of Association which causes material damages to the Company shall be directly liable for all losses (including compensation of damages) 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 is exempted from such liability. A director who abstains from voting or who fails to attend the meeting in person or by proxy, shall not be exempted from such liability. A director who explicitly expresses his objection in the course of discussion but fails to cast an objection vote shall not be exempted from such liability.

Article 31 Resolutions

In general, resolutions shall be made in respect of all matters considered at the Board meeting.

A resolution of the Board on the Company's connected transactions shall not be valid until it is approved by the independent directors in writing.

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

Article 32 Minutes of the Meetings

The minutes of the Board meeting shall record all the matters considered by the directors and their decision on such matters at the Board meeting (including the meeting of any committees under the Board) in a sufficiently detailed manner. The minutes of the Board meeting shall state the following:

- (1) the date and place of the meeting, and the names of the person convening the meeting and the chairman;
- (2) the names of the directors attending the meeting in person or by proxy and the names of their proxies;
- (3) the agenda of the meeting;

- (4) the summary of the directors' opinions, including any doubts or objections of the directors (for a meeting by written resolution, the directors' opinions in writing shall prevail);
- (5) the voting method and results of each proposed resolutions (the result of the voting shall set out the respective number of the votes of assenting, dissenting or abstention);
- (6) the directors' signatures.

The secretary to the Board shall take initiative to arrange for the matters considered at the meeting to be recorded. The minutes of each 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 after the receipt of the minutes circulated. Once the Board minutes have been finalised, the attending directors, the secretary to the Board and the officer taking the minutes shall sign on the minutes of the Board. The minutes of the Board, being an important record of the Company, shall be properly and permanently kept at the business address of the Company.

Minutes of the meetings of the Board or its committee shall be available for directors' inspection within the reasonable time if a reasonable notice is given for such request.

CHAPTER VII DISCLOSURE OF INFORMATION RELATING TO THE BOARD MEETING

Article 33 The Board 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 meeting which are discloseable are disclosed thoroughly, 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 34 If 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 shall disclose the respective opinions of each of the independent directors.

Article 35 If the matters considered at the Board 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
MEETING AND FEEDBACKS**

Article 36 The following matters shall not be carried out until they are considered and approved by the Board and submitted to and approved by the shareholders at the general meeting:

- (1) the formulation of the Company's annual preliminary and final budgets;
- (2) the formulation of the Company's profit distribution proposals and loss recovery proposals;
- (3) the proposals for the increase or reduction of the registered capital of the Company;
- (4) the proposals for the issue of the Company's bonds;
- (5) the formulation of plans for merger, division or dissolution of the Company;
- (6) the formulation of proposals for any amendment to the Articles of Associations; and
- (7) any proposal submitted to the shareholders at general meeting for the appointment or replacement of the auditors of the Company.

Article 37 The general manager shall implement the resolutions passed by a Board meeting within the scope of his duties or as authorized by the Board and shall report to the Board on the implementation of such resolutions.

Article 38 The chairman of the Board shall have the power to, or authorize the vice-chairman or other directors to, supervise the implementation of the resolutions of the meeting.

Article 39 At each Board meeting, the chairman or other executive director authorized by him shall report on the implementation of resolutions passed by the Board (if any) and the general manager shall report on the implementation of the matters required to be implemented by the resolutions passed at the previous meeting.

Article 40 Under the direction of the Board and the chairman, the secretary to the Board shall take initiatives 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 and the chairman in relation to the important issues to be implemented.

CHAPTER IX SUPPLEMENTAL PROVISIONS

Article 41 Any matter not covered by these Rules and any conflict between the provisions hereof and the provisions of the laws, administrative regulations and other relevant regulatory documents promulgated from time to time, the Articles of Association or any resolution passed by the shareholders at the general meeting, shall be subject to the provisions of such laws, administrative regulations, other relevant regulatory documents, the Articles of Association and shareholders' resolutions.

Article 42 Reference herein to "more than", "exceeding" shall be inclusive and "not more than", "not exceeding", "less than" shall be exclusive.

Article 43 These Rules shall come into effect approval by the shareholders at the general meeting as an appendix to the Articles of Association. Any amendments to these Rules shall be proposed by the Board for shareholders' approval at the general meeting.

Article 44 The right to interpret these Rules shall be vested in the Board.

**RULES OF PROCEDURE FOR THE MEETINGS OF THE SUPERVISORY COMMITTEE
OF JILIN CHEMICAL INDUSTRIAL COMPANY LIMITED****CHAPTER I GENERAL PRINCIPLES**

Article 1 These Rules are formulated in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Mandatory Provisions for the Articles of Association of Overseas Listed Companies, the Provisional Regulations on Supervisory Committees of State-owned Enterprises, the Guidelines on the Articles of Association of Listed Companies, the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Articles of the Association of Jilin Chemical Industrial Company Limited (hereinafter referred to as the "Articles of Association"), and with the reference to the Opinions on Further Standardising Operations and Intensifying Reform of Companies Listed Overseas in order to protect the interests of the shareholders and employees of the Company and improve the Company's internal supervision and control mechanisms.

Article 2 The Supervisory Committee shall be the supervisory body of the Company set up in accordance with the law, and shall be accountable and report to the shareholders' general meeting.

The Supervisory Committee shall focus its work on financial supervision, and shall supervise the Company's financial activities and the operation and management activities of the Company's senior management such as directors and managers in accordance with relevant national laws, administrative regulations, financial auditing regulations and resolutions to be passed at shareholders' general meetings, 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 five (5) members, one of whom shall be appointed as the Chairman.

Article 4 The staff representatives of the Supervisory Committee shall be elected at an employees representative meeting of the Company.

Article 5 Qualifications of supervisors

- (1) A supervisor shall be familiar with and able to perform and implement any relevant national laws, administrative regulations and rules and systems;
- (2) A supervisor shall have professional knowledge of financial, accounting, auditing or macro economic matters, and have proper understanding of the Company's operations and management;
- (3) A supervisor shall comply with laws, uphold principles, be honest and self-disciplined, loyal to his duties and impartial, and shall be able to maintain confidentiality;
- (4) A supervisor shall have a relatively strong ability of comprehensive analysis and judgement, and shall be capable of working independently;
- (5) A supervisor shall 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 to the board of the Company and civil servants shall not act as a supervisor of the Company concurrently.

A person who falls under any circumstance set out in Article 57 of the Company Law or is prohibited by the China Securities Regulatory Commission from access to the market shall not act as the supervisor of the Company if such prohibition is not lifted.

Article 7 The term of office for a supervisor shall be three years. In general, no supervisor shall be removed during the term of his office. Upon expiration of the term, a supervisor may be re-elected for a successive term.

**CHAPTER III POWERS, RESPONSIBILITIES AND OBLIGATIONS
OF THE SUPERVISORY COMMITTEE**

Article 8 The Supervisory Committee shall exercise the following powers in accordance with the law:

- (1) to supervise the performance and implementation of relevant national laws and administrative regulations as well as the implementation of resolutions of 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 the authenticity and legitimacy of the Company's financial statements, and assess the Company's interim and annual financial reports. When necessary, it may require any executive directors, managers and functionary departments to report on the relevant business matters;
- (3) to focus the supervision and control on the economic activities and the quality of the assets involved in the financing, investment, provision of guarantee, mortgage, transfer, acquisition and merger which are for substantial amounts of funds and which are the subject to the decision of the Board;
- (4) to supervise the senior management of the Company such as directors and managers on whether they are involved in any of the following activities which are in violation of laws, regulations or the Articles of Association:
 - (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) engaged 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 managers' meeting as an observer when necessary;

(6) to exercise other powers conferred by laws, administrative regulations, the Articles of Association or shareholders' general meetings.

Article 9

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 supervise the implementation of resolutions of the Supervisory Committee;

(3) to review 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 to be performed by the Chairman of the Supervisory Committee as required by laws, administrative regulations and the Articles of Association.

Article 10

In the course of discharging its supervision duties, the Supervisory Committee may adopt the following measures in relation to the problems discovered;

(1) to issue a written notice demanding correction;

(2) to ask the auditing and surveillance departments to verify;

(3) to appoint qualified external accountants, auditors, legal counsels or other professionals to verify and collect evidence;

(4) to propose to convene a shareholders' extraordinary general meeting;
or

- (5) to submit reports to or lodge complaints with the relevant regulatory or judicial authorities.

Article 11 A supervisor shall fulfill the following duties:

- (1) to comply with the Articles of Association and implement the resolutions of the Supervisory Committee;
- (2) to assume corresponding liability for any business activity of the Company in violation of the laws and regulations which it has discovered but failed to stop; and
- (3) to assume corresponding liability any damage to the Company as a result of its violation of the laws, regulations or the Articles of Association in the course of discharging its duties .

If any resolution of the Supervisory Committee causes any damage to the interests of the investors and the Company and legitimate interests of the employees, the supervisors participating in the adoption of the resolution shall assume corresponding liabilities. However, if a supervisor expressed his objection which is recorded in the minutes of the meeting, such supervisor shall be exempted from such liability.

Article 12 In addition to duly discharging his duties under the Articles of Association, a supervisor shall perform the following obligations:

- (1) faithfully discharge its supervisory duty and safeguard the interests of the Company, and not seek personal interests or interests for any other person by taking advantage of his position and power in the Company, nor take bribes or any other illegal incomes or illegally take possession of the assets of the Company;
- (2) except in accordance with the law or as approved by the shareholders at the general meeting, may not disclose the Company's secrets;
- (3) be responsible for the truthfulness and compliance of the contents of the report to the shareholders' general meeting or the supervisory documents; and
- (4) strengthen the study of 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 shall operate mainly through regular meetings and extraordinary meetings.

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

- (1) to review the annual and interim financial statements of the Company, and present the Supervisory Committee's opinions and proposals on matters including operation risks, standardised operation, effective management and asset loss;
- (2) to be focused on the assessment of matters of the Company including the implementation of the budget, operation of the assets, implementation of material investment decisions, conditions of assets and maintenance and appreciation of its value; and
- (3) to discuss on the work report, amendment to important systems, work plan and summaries of the Supervisory Committee.

Article 15 Upon the proposal of the chairman of the Supervisory Committee or more than two thirds 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 Board fails to take measures in a timely manner against material assets flight which has occurred or is occurring and which has caused damages to the interests of the shareholders;
- (2) where any senior management of the Company violates laws, administrative regulations or the Articles of Association, causing material damage to the interests of the Company;
- (3) where it is necessary to conduct investigation on any specific matter, or it is necessary to invite the Board and management to provide relevant advices and opinions;
- (4) where the Supervisory Committee considers necessary to appoint any external accountant, auditor or legal counsel to give professional opinions on certain material supervision matters;

- (5) where the Supervisory Committee considers necessary to convene an extraordinary meeting.

Article 16

Notice of a Supervisory Committee meeting shall be given to all supervisors and related parties within ten days prior to the date appointed for holding of such meeting, either in person or by telephone, facsimile, courier, registered post or by hand, stating the date, place and duration of such meeting, the reason therefor, businesses to be transacted and the date thereof, together with any information relating to the businesses to be transacted. An oral or written notice may be given of an extraordinary meeting within three days prior to the date thereof.

The meetings of the Supervisory Committee may be held by telephone or by other means of communication, provided that supervisors attending the meeting are able to express their opinion and communicate with the other supervisors, all supervisors participating will be deemed to have attended the meeting.

Article 17

A quorum of the meeting of the Supervisory Committee shall consist of three or more supervisors. The meeting shall be chaired by the chairman of the Supervisory Committee. If for any reason the chairman is unable to attend, he shall appoint another supervisor to chair the meeting.

Article 18

The supervisors shall attend the meetings as scheduled, and fully express their opinions on the resolutions and matters discussed. If for any reason a supervisor is unable to attend a meeting, he may authorise in writing another supervisor to act as his proxy and exercise his rights 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 such meeting by the supervisor so represented. If a supervisor fails to attend or appoint another supervisor to act as his proxy to attend the meetings twice consecutively, the Supervisory Committee shall recommend to the shareholders' general meeting for him to be replaced.

Article 19

If the opinions of experts or the board of directors or management of the Company are required in relation to the matters considered and discussed by the Supervisory Committee, such experts, members of the board of directors or members of management may be invited to attend the meeting.

Attendees at the meeting shall have the right to express their opinion on 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. Each supervisor has the right to cast one vote, and when votes in favour and against are equal, the chairman of the Supervisory Committee may cast an additional vote. Resolutions of the Supervisory Committee shall be passed if approved by at least two thirds of the supervisors present at the meeting.

Article 21 With respect to a resolution passed by the Supervisory Committee, the general manager shall be responsible for implementation of any matter within his scope responsibility and shall report on such implementation in a timely manner to the Supervisory Committee. During the period while the Supervisory Committee is not in session, he may report to the Chairman of the Supervisory Committee. The Supervisory Committee shall arrange for the implementation of the matters outside the scope of responsibility of the general manager by the relevant department and receive their reports.

Article 22 Minutes shall be properly made in respect of meetings of the Supervisory Committee, and shall be signed by the supervisors attending such meetings and the officer preparing the minutes. Supervisors have the right to record explanations on their speeches at the meetings.

Article 23 In the course of exercising its supervising powers, the Supervisory Committee shall not act on behalf of the Board or general manager, or carry on any business activities on behalf of the Company.

CHAPTER V INCENTIVES AND SANCTIONS

Article 24 The shareholders at the general meeting may grant reward to any supervisor who has outstandingly well discharged his duties and made significant contribution to protect the interests of the Company and Shareholders.

Article 25 In any of the following circumstances, administrative or disciplinary sanctions, including removal from the office, may be imposed on the supervisor in consistent with his involvement and in accordance with the law and the Articles of Association. If such action constitutes a criminal offence, 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 the course of reviewing the Company's financial situation;

- (3) behaviour in breach of Article 12 of these Rules.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 26 The Company shall provide the Supervisory Committee with suitable working environment and shall bear all expenses in relation to the work of the Supervisory Committee which will be accounted for in a special account.

Article 27 These Rules shall come into effect upon approval by the shareholders' at the general meeting as an appendix to the Articles of Association. Any amendments to these Rules shall be proposed by the Supervisory Committee for the shareholders' approval at the general meeting. The right to interpret these Rules shall be vested in the Supervisory Committee.