SINOPEC SHANGHAI PETROCHEMICAL CO LTD
Form 6-K
July 03, 2012
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the month of July 2012

Commission File Number: 1-12158

Sinopec Shanghai Petrochemical Company Limited

(Translation of registrant s name into English)

Jinshanwei, Shanghai

The People s Republic of China

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- Not Applicable

Table of Contents

SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

Form 6-K

TABLE OF CONTENTS

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

Date: July 3, 2012

By: /s/ Wang Zhiqing
Name: Wang Zhiqing
Title: President

Table of Contents

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

(Stock Code: 00338)

Resolutions Passed at the 2011 Annual General Meeting

The Company and all members of its board of directors warrant the truthfulness, accuracy and completeness of the information contained in this announcement and jointly and severally accept full responsibility for any false representations or misleading statements in it and for any material omissions from it.

Important:

No objection or amendment was made to the resolutions proposed at the meeting.

No supplemental resolution was tabled at the meeting.

I. The convening and attendance of the AGM

The 2011 annual general meeting (the AGM) of Sinopec Shanghai Petrochemical Company Limited (the Company) was held at 9:00 a.m. on Wednesday, 27 June 2012 at Jinshan Roller-skating Stadium, No. 5 Xincheng Road, Jinshan District, Shanghai, the People s Republic of China (the PRC). Shareholders of the Company who are entitled to attend the AGM hold an aggregate of 7.2 billion voting shares. No shareholder of the Company who is entitled to attend the AGM shall abstain from voting in favor as set out in Rule 13.40 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Hong Kong Listing Rules), nor shall abstain from voting under the Hong Kong Listing Rules. 40 shareholders and authorized proxies attended the AGM, holding an aggregate of 6.315 billion voting shares, representing 87.71% of the Company s total 7.2 billion shares, amongst which non-circulating shares amounted to 4.017 billion and circulating shares amounted to 2.298 billion. The convening of the AGM complied with the relevant regulations stipulated by the Company Law of the PRC and the articles of association of the Company (the Articles of Association).

Table of Contents

The AGM was convened by the board of directors (the Board) of the Company, and Mr. Rong Guangdao, Chairman of the Company, presided over the AGM. The Seventh Session of the Board has 12 directors, ten of whom attended the AGM. Mr, Rong Guangdao, Chairman of the Company, Mr. Wang Zhiqing and Mr. Wu Haijun, Vice Chairmen of the Company, Mr. Li Honggen, Mr. Shi Wei, Mr. Ye Guohua, and Mr. Xiang Hanyin, directors of the Company, and Mr. Shen Liqiang, Mr. Wang Yongshou and Mr. Cai Tingji, independent non-executive directors of the Company, attended the AGM. Mr. Lei Dianwu, director of the Company, and Mr. Jin Mingda, independent non-executive director of the Company, were absent from the AGM due to business engagements. The Seventh Session of the Supervisory Committee of the Company has seven supervisors, seven of whom attended the AGM. Mr. Gao Jinping, Chairman of the Supervisory Committee, Mr. Zuo Qiang, Ms. Li Xiaoxia, Mr. Zhai Yalin and Mr. Wang Liqun, supervisors of the Company, Mr. Chen Xinyuan and Mr. Zhou Yunnong, independent supervisors of the Company attended the AGM. Mr. Zhang Jingming, the secretary to the Board, attended the AGM.

II. Voting results of resolutions

The following ordinary resolutions were considered and passed at the AGM through voting by way of poll:

1. 2011 Work Report of the Board of the Company.

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor*
Voting results of shareholders	4,749,248,041	8,502,433	99.82%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	732,518,041	8,502,433	98.85%

* Percentage of shares voted in favor refers to the proportion of shares voted in favor by the shareholders accounting for the total voting shares (i.e. shares voted in favor + shares voted against) held by the shareholders (or their proxies) attending the AGM. (The same below)

2. 2011 Work Report of the Supervisory Committee of the Company.

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor
Voting results of shareholders	4,749,248,141	8,492,133	99.82%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	732,518,141	8,492,133	98.85%

Table of Contents

3. 2011 Audited Financial Statements of the Company.

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor
Voting results of shareholders	4,749,822,041	8,019,733	99.83%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	733,092,041	8,019,733	98.92%

4. 2011 Profit Distribution Plan of the Company.

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor
Voting results of shareholders	4,753,471,314	4,407,160	99.91%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	736,741,314	4,407,160	99.41%

The 2011 profit distribution plan is: the distribution of a final dividend for 2011 amounting to RMB0.50 per 10 shares (tax inclusive), totaling RMB360,000,000 based on the total share capital of 7.2 billion shares as at 31 December 2011.

5. 2012 Financial Budget Report of the Company.

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor
Voting results of shareholders	4,753,585,114	4,294,760	99.91%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	736,855,114	4,294,760	99.42%

Table of Contents

6. The re-appointment of KPMG Huazhen as the Company s domestic auditor for the year 2012 and KPMG as the Company s international auditor for the year 2012, and the authorization to the Board to fix their remuneration.

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor
Voting results of shareholders	4,752,460,414	5,422,760	99.89%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	735,730,414	5,422,760	99.27%

7. The establishment of nomination committee of the Board of the Company.

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor
Voting results of shareholders	4,753,495,214	4,338,560	99.91%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	736,765,214	4,338,560	99.41%

After ordinary resolution 7 was passed, members of the nomination committee of the Seventh Session of the Board are Mr. Rong Guangdao, Chairman of the Company, Mr. Jin Mingda and Mr. Wang Yongshou, both independent non-executive directors of the Company. Mr. Rong Guangdao is the committee s chairperson.

Table of Contents

The following special resolution was considered and passed at the AGM through voting by way of poll:

8. The amendments to both the Articles of Association and its appendices as proposed by the Board, and the authorization to the secretary to the Board to, on behalf of the Company, transact all relevant matters in relation to such amendments regarding any applications, approvals, disclosure, registrations and filings (including wording amendments as requested by the regulatory authorities).

	Shares voted in favor (Share)	Shares voted against (Share)	Percentage of shares voted in favor
Voting results of shareholders	4,752,872,324	4,823,550	99.90%
Including:			
Shareholders with non-circulating shares	4,016,730,000	0	100%
Shareholders with circulating shares	736,142,324	4,823,550	99.35%

The above resolutions were passed at the AGM. The Company had appointed its auditor, KPMG, as the scrutineer of the AGM to monitor the vote-taking procedures. The Company has complied with the voting instructions stipulated by HKSCC Nominees Limited.

III. Explanation in relation to the payment of final dividends of the Company for the year ended 31 December 2011

1. Pursuant to Article 213 of the Articles of Association, the Company declares dividends to its shareholders in Renminbi. Dividends payable to the holders of A shares shall be paid in Renminbi whilst those payable to the holders of H shares shall be paid in Hong Kong dollars, and in the latter case, the following conversion formula shall apply:

$$\textbf{Converted amount of dividends in Hong Kong dollars} = \frac{\textbf{Amount of dividends in Renminbi}}{\text{Average of the closing exchange rates for the Hong Kong dollar as announced by the Foreign Exchange Trading Centre of the PRC for the calendar week preceding the date on which dividends are declared}}$$

For the purpose of payment to the holders of the Company s H shares of the final dividends for the year ended 31 December 2011 (the Final Dividends), the average of the median exchange rates for the Hong Kong dollar as announced by the Foreign Exchange Trading Centre of the PRC for the calendar week preceding the date on which dividends were declared (that is, Wednesday, 27 June 2012) is HK$100 for RMB81.2153. Therefore, the Company will distribute the Final Dividends amounted to HK$0.0616 per share to the holders of its H shares (tax inclusive).

The Company will distribute the Final Dividends to holders of its H shares whose names appear on the register of members of the Company as at Wednesday, 11 July 2012 and to holders of its American depositary shares whose names appear on the register of members of the Company as at Tuesday, 10 July 2012. The Company will close the register of the members of its H shares from Friday, 6 July 2012 to Wednesday, 11 July 2012 (both days inclusive) in order to confirm its shareholders entitlement to receive the Final Dividends. All H share transfer documents and relevant share certificates should be lodged with the Company s H share registrar, Hong Kong Registrars Limited, at Room 1712-1716, 17/F, Hopewell Centre, 183 Queen s Road East, Wanchai, Hong Kong, by 4:30p.m. on Thursday, 5 July 2012.

Table of Contents

Holders of the Company s H shares please note: for details on the withholding of both corporate and individual income tax on the Final Dividends, please refer to the circular of the Company distributed to holders of its H shares on 11 May 2012 or to the Notice of 2011 Annual General Meeting published on the websites of the Hong Kong Stock Exchange and the Company on the same date.

2. The Company will appoint Bank of China (Hong Kong) Trustees Limited as its paying agent in Hong Kong (Paying Agent) and will pay the Final Dividends payable to the holders of its H shares to such Paying Agent to be held, pending payment, in trust for such holders. The Final Dividends payable to the holders of the Company s H shares whose names appear on the register of members of the Company on Wednesday, 11 July 2012, will be paid by the Paying Agent around 27 July 2012 and will be dispatched by Hong Kong Registrars Limited on the same date.

3. Distribution of 2011 dividends to holders of the Company s A shares will be announced separately.

IV. Lawyer s certification

As certified by and stated in the legal opinion (the Legal Opinion) issued by Mr. Gao Wei and Mr. Zhao Feng of the Company s legal advisors as to the PRC law, Beijing Haiwen & Partners, the convening and holding of the AGM, the qualification of the convener, the qualifications of shareholders or proxies who attended the AGM and the voting procedures adopted at the AGM were in compliance with the provisions of the relevant laws and the articles of association of the Company. As a result, the resolutions of the AGM are legally valid.

V. Documents available for inspection

1. Resolutions passed at the AGM; and

2. The Legal Opinion.

By Order of the Board

Zhang Jingming

Company Secretary

Shanghai, the PRC, 27 June 2012

As at the date of this announcement, the executive directors of the Company are Rong Guangdao, Wang Zhiqing, Wu Haijun, Li Honggen, Shi Wei and Ye Guohua; the non-executive directors of the Company are Lei Dianwu and Xiang Hanyin, and the independent non-executive directors of the Company are Shen Liqiang, Jin Mingda, Wang Yongshou and Cai Tingji.

Table of Contents

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

(Stock Code: 00338)

List of Directors and their Role and Function

The members of the board of Directors (the Board) of Sinopec Shanghai Petrochemical Company Limited (the Company) are set out below.

Executive Director, Chairman

Rong Guangdao

Executive Director, Vice Chairman, President

Wang Zhiqing

Executive Director, Vice Chairman

Wu Haijun

Executive Directors, Vice Presidents

Li Honggen

Shi Wei

Executive Director, Chief Financial Officer

Ye Guohua

Non-executive Directors

Lei Dianwu

Xiang Hanyin

Independent Non-executive Directors

Shen Liqiang

Jin Mingda

Wang Yongshou

Cai Tingji

There are 3 Board committees. The table below provides membership information of these committees on which each Board member serves.

Director	Board Committee	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee
Rong Guangdao				C
Wang Zhiqing				
Wu Haijun				
Li Honggen				
Shi Wei				
Ye Guohua			M	
Lei Dianwu				
Xiang Hanyin				
Shen Liqiang		M		
Jin Mingda			M	M
Wang Yongshou		M	C	M
Cai Tingji		C		

Notes:

C Chairman of the relevant Board committees
M Member of the relevant Board committees

Table of Contents

SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

ARTICLES OF ASSOCIATION

Table of Contents

Amendment History

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 15 June 1995 and approved by the State Commission for Restructuring the Economic Systems and Securities Commission of the State Council on 17 July 1995

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 15 June 1999 and approved by the State Economic & Trade Commission on 28 June 1999

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 15 June 2000 and approved by the State Economic & Trade Commission on 20 June 2000

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

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

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

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

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 19 June 2007

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 12 June 2008

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 18 June 2009

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 23 June 2010 and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 31 August 2010

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 27 June 2012

Table of Contents

CONTENTS

Table of Contents

ARTICLES OF ASSOCIATION

OF

SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

CHAPTER 1 GENERAL PROVISIONS

Article 1 These Articles of Association are formulated in accordance with The Company Law of the People s Republic of China (the Company Law), The Securities Law of the People s Republic of China (the Securities Law), The State Council Special Regulations Relating to Issue of Shares and Overseas Listing of Joint Stock Limited Companies (the Special Regulations), The Mandatory Provisions for Companies Listing Overseas (the Mandatory Provisions), the Listed Companies Articles of Association Guidelines , the Listed Companies Corporate Governance Principles and other relevant regulations, in order to protect the lawful rights and interests of Sinopec Shanghai Petrochemical Company Limited (the Company), its shareholders and creditors, and to regulate its organisation and behaviour.

The Company is a joint stock limited company established pursuant to the Company Law, the Special Regulations and other laws and regulations.

The establishment of the Company was approved by the State Commission for Restructuring the Economic System of the PRC pursuant to the document Ti Gai Sheng (1993) No. 95 by the promoter method. The Company was registered at the Shanghai Administration for Industry and Commerce and was issued an enterprise legal person business licence on 29 June 1993. The number of the enterprise legal person business licence is 310000000021453.

The promoter of the Company is Shanghai Petrochemical Complex.

Article 2 The registered name of the Company is:

Chinese:

Abbreviation:

English: Sinopec Shanghai Petrochemical Company Limited

Abbreviation: SPC

Article 3 The legal address of the Company is: 48 Jinyi Road, Jinshan District, Shanghai, People s Republic of China.

Postal code: 200540

Telephone number: (021) 5794 1941

Facsimile number: (021) 5794 2267

Article 4 The legal representative of the Company is the chairman of the Company.

Article 5 The Company is a permanently existing joint stock company. The capital of the Company is divided into equal shares. The rights and liabilities of shareholders of the Company are limited to the shares subscribed by them, and the Company is liable for its debts to the extent of its entire assets.

Table of Contents

The Company is an independent legal person, under the jurisdiction and protection of the laws and regulations of the People s Republic of China (hereinafter referred to as the PRC , and for the purpose of these Articles, excluding Hong Kong, Macau and Taiwan).

Article 6 The Articles of Association were effective from the date of establishment of the Company.

As from the effective date of the Articles of Association, these Articles constitute the rules governing the organisation and conduct of the Company and become a legally binding document regulating the rights and obligations between the Company and a shareholder and among the shareholders inter se.

Article 7 The Articles of Association are binding on the Company, its shareholders and its directors, supervisors and senior officers. The aforementioned persons may raise any claims relating to the affairs of the Company in accordance with these Articles.

The Company may take action against its directors, supervisors and senior officers in accordance with the Articles. The Company may take action against its shareholders in accordance with these Articles. Shareholders may take action against each other in accordance with these Articles and a shareholder may take action against the Company and its directors, supervisors and senior officers in accordance with these Articles.

For the purposes of this Article, action includes court proceedings or application for arbitration proceedings.

Unless the context otherwise requires, the term senior officers referred to in these Articles and the appendices attached hereto means the general managers, deputy general managers, financial officers and the secretary to the board of directors of the Company.

Article 8 The Company may invest in other limited liability companies or joint stock companies and is liable to the amount of the investment in these companies.

The Company may invest in any other enterprises; provided that, unless the law otherwise requires, the Company shall not act as an investor in any invested enterprise that assumes joint and several liability for the debts owed by such enterprise.

Article 9 Subject to the provisions of PRC laws and administrative regulations, the Company has the power to raise or borrow money, including (without limitation) the power to issue corporate bonds and to mortgage or charge its assets.

Article 10 The Company shall take steps to establish a healthy investor relations management system and also take an initiative to strengthen the communication and exchange with shareholders especially public shareholders in different ways. The secretary to the board of directors of the Company is responsible for the work of investor relations management.

CHAPTER 2 PURPOSE AND BUSINESS SCOPE

Article 11 The purpose of the Company shall be to build and operate a diversified industrial company which will be one of the world s leading petrochemical companies; to promote the development of the petrochemical industry in the PRC through the production of a broad variety of outstanding products; to practise advanced scientific management and apply flexible business principle; and to develop overseas markets for the Company s product, so that the Company and all shareholders may receive reasonable economic benefits.

Table of Contents

Article 12 The Company s scope of business shall be based on the projects approved by the Company s registration authorities.

The Company s scope of business include: crude oil processing, oil products, petrochemical products, synthetic fibres and monomers, plastic and plastic products, raw materials and products for knitting, catalyst preparation and spent solvent reclamation, supply of electricity, heat energy, water and gas, water processing, loading and unloading on railways, river transport, terminals, storage, design, research and development, Four Technologies services, property management, leasing of self-owned property, training of employee in the system, design, production of different types of advertisement, to conduct advertising by making use of the Company s own media platform (in case of franchise operation, to operate the same by virtue of the relevant licence).

Article 13 The Company may establish subsidiaries and branches, representative offices, business offices and other non-independent legal person branches in accordance with its business development needs.

Subject to approval by the relevant governmental authorities, the Company may adjust the business and operation scope or investment directions and methods in accordance with PRC domestic and international market trends, the business requirements inside and outside of the PRC and the development capabilities of the Company.

CHAPTER 3 SHARES AND REGISTERED CAPITAL

Article 14 The Company shall have ordinary shares at all times. The ordinary shares issued by the Company shall include domestic shares and foreign shares. The Company may issue other types of shares subject to the approval of the responsible company approval authority as authorized by the State Council and its own requirements.

Article 15 All the shares issued by the Company shall have par value. The par value shall be one Renminbi each. Renminbi refers to the official currency of the PRC.

Article 16 The stock of the Company takes the form of shares. Upon the approval of the securities regulatory authority of the State Council, the Company may issue shares to investors inside the PRC and investors outside the PRC. The issue of the Company s stock shall adhere to the principles of openness, fairness and justice. Shares of the same class shall rank pari passu with each other. For the same class of shares offered at the same time, each share shall have the same offer terms and price. For the same class of shares subscribed by any organisation or individual under the same offering, the price payable for each of such share shall be the same.

The aforementioned investors outside the PRC refer to investors in foreign countries, Hong Kong, Macau and Taiwan regions who subscribe for shares of the Company. Investors inside the PRC refer to investors in the PRC, excluding the aforementioned regions, who subscribe for shares of the Company.

Article 17 Shares issued by the Company investors inside the PRC and subscribed for in Renminbi are referred to as domestic shares. Shares issued by the Company and subscribed for in foreign currency are referred to as foreign shares. Foreign shares listed overseas are referred to as overseas listed foreign shares. The holders of domestic shares and the holders of overseas listed foreign shares are both ordinary shareholders, and have the same rights and obligations.

Table of Contents

The aforementioned foreign currency refers to the official currency of other countries or regions, other than Renminbi, as recognised by the responsible foreign exchange authority of the PRC which can be used for subscribing for shares.

Article 18 The overseas listed foreign shares issued by the Company and listed in Hong Kong are referred to as H shares. H shares are shares which have been approved for listing by The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange), the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.

Article 19 The domestic shares issued by the Company are held in custody by the China Securities Registration and Clearing Company Limited, Shanghai Branch. The H shares issued by the company are held in custody by Hong Kong Securities Clearing Company Limited.

Article 20 Having been approved by the responsible company approval authority as authorized by the State Council, the Company may issue a total of 7,200,000,000 ordinary shares, or which 4,000,000,000 shares have been issued to the promoter upon its establishment representing 55.56% of the authorized ordinary share capital.

Article 21 After the establishment of the Company, the Company has issued 2,330,000,000 ordinary shares which are overseas listed foreign shares, representing 32.36% of the authorized ordinary share capital. The Company has also issued 870,000,000 ordinary shares to the general public (including the employees of the Company) which are domestic shares representing 12.08% of the authorized ordinary share capital.

The shareholding structure of the Company after issue of the shares pursuant to the above paragraph is: 7,200,000,000 ordinary shares, of which 4,000,000,000 shares issued at the time of establishment of the Company, 870,000,000 domestic shares listed in the PRC and issued after the establishment of the Company, and 2,330,000,000 overseas listed foreign shares.

Article 22 The plan as to the issue of domestic shares and overseas listed foreign shares as approved by the securities regulatory authority of the State Council shall be implemented and arranged by the directors of the Company.

The plan as to the issue of domestic shares and overseas listed foreign shares as mentioned above may be implemented within fifteen (15) months from the date of approval by the State Council securities regulatory authority.

Article 23 In issuing the planned shares, the Company shall issue the domestic shares and the overseas listed foreign shares in single tranches respectively. Where there are special circumstances such that the shares cannot be issued in one tranche, the Company may issue the shares in several tranches, subject to the approval of the China Securities Regulatory Commission.

Article 24 The registered capital of the Company shall be RMB7,200,000,000.

Article 25 As required by its operations and business development, the Company may increase its capital in accordance with the Articles of Association.

The Company may increase its capital by the following methods:

(1) public share offering;

(2) non-public share offering;

(3) distribution of new shares to existing shareholders;

Table of Contents

(4) transfer of the capital reserve fund to increase capital;

(5) any other means as permitted by law or administrative regulations and approved by the State Council securities regulatory authority.

In increasing its capital and issuing new shares, following the approval in accordance with the stipulations of the Articles, the Company shall comply with the procedures laid down in the laws, administrative regulations and listing rules and regulations of the PRC and the locale in which the foreign shares are listed overseas.

Article 26 Except as prescribed by applicable laws and administrative regulations, the shares of the Company shall be freely transferable and shall also be free from all lien.

CHAPTER 4 REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

Article 27 The Company may reduce its registered capital in accordance with the Articles. The Company shall comply with the procedures laid down in the Company Law, other relevant regulations and the Articles in reducing its registered capital.

Article 28 The Company shall prepare balance sheet and inventory of assets when it reduces its capital.

The Company shall notify its creditors within ten (10) days after the resolution to reduce the capital is passed and shall publish a notice in newspapers designated by the relevant regulatory authorities located at the place where the shares of the Company are listed within thirty (30) days after the resolution is passed. The creditors shall have the right to demand for repayment of the debts or for a guarantee for repayment of the debts within thirty (30) days of receiving such notice (or, for creditors who do not receive the notice, within forty-five (45) days from the date on which the notice is published).

The share capital shall not be lower than the statutory minimum after the capital reduction.

If the Company reduces its registered capital, it shall amend its registration record filed with the registration authorities of the Company in accordance with the law.

Article 29 Subject to the approval by the relevant authority, the Company may repurchase its shares in any of the following circumstances in accordance with the procedure provided in these Articles:

(1) cancellation of shares for reduction of capital;

(2) merger with other companies which hold shares of the Company;

(3) granting shares as incentive compensation to the staff of the Company;

(4) acquiring the shares of shareholders who vote against any resolution adopted at the general meeting of shareholders on the merger or division of the Company;

(5) other circumstances as permitted by law or administrative regulations.

The Company shall comply with Articles 30 to 33 in repurchasing its shares.

Except in the circumstances set forth above, the Company shall not engage in any activity in connection with trading its own shares.

Table of Contents

Article 30 Upon approval by the relevant authority, the Company may repurchase its shares by one of the following ways:

(1) making a general offer to all the shareholders in proportion to their shareholding;

(2) purchasing its shares in public on a stock exchange;

(3) making an off-market contract;

(4) other methods as stipulated by laws or administrative regulations and approved by the Sate Council securities regulatory authorities.

Article 31 The Company may, with the prior sanction of shareholders obtained at the shareholders general meeting in accordance with these Articles, repurchase its shares by an off-market contract in accordance with the relevant PRC and overseas regulations; the Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders obtained in the same manner.

A contract to repurchase shares referred to in the above paragraph includes but is not limited to an agreement to become obliged to repurchase or an acquisition of the right to purchase shares of the Company.

Rights of the Company under a contract to repurchase its own shares are not capable of being assigned.

Article 32 Unless otherwise required by laws, administrative regulations, rules and regulations of authorized departments or these Articles of Association, if the Company repurchases its own shares pursuant to items (1) to (3) of Article 29 of these Articles of Association, resolutions relating thereto shall be adopted at a general meeting of shareholders. If the Company repurchases its own shares in accordance with the preceding paragraph under the circumstances set forth in item (1) of Article 29, the shares so repurchased shall be cancelled within ten days from the repurchase date. In the event of the circumstances set forth in items (2) and (4) of Article 29, the shares so repurchased shall be transferred or cancelled within six months.

If the Company repurchases its own shares in accordance with item (3) of Article 29, the shares so repurchased shall not exceed 5% of the total number of shares issued by the Company. Funds used for any repurchase shall be paid out of the after tax profits of the Company. The repurchased shares shall be transferred to the employees within one year.

If shares are required to be cancelled when they are repurchased in accordance with the law, the Company shall apply to the Company s original registration authorities to register the alteration of the registered capital of the Company. The share capital of the Company shall be reduced by the aggregate par value of the cancelled shares accordingly.

Article 33 Unless the Company is in the course of liquidation, the Company shall comply with the following provisions in repurchasing its shares:

(1) where the Company repurchases its shares at face value, payment shall be made out of distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;

Table of Contents

(2) where the Company repurchases its shares at a premium, payment up to the face value may be made out of distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the face value shall be effected as follows:

(i) if the shares being repurchased were issued at face value, payment shall be made out of distributable profits of the Company;

(ii) if the shares being repurchased were issued at a premium, payment shall be made out of distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company s capital reserve fund (including the premiums on the fresh issue);

(3) payment by the Company in consideration for the following shall be made out of distributable profits

(i) the acquisition of rights to repurchase shares of the Company;

(ii) the variation of any contract to repurchase shares of the Company;

(iii) the release of the Company s obligations under any contract to repurchase shares of the Company;

(4) to the extent that shares are repurchased out of distributable profits of the Company, the amount of the Company s registered share capital reduced shall be transferred to the Company s capital reserve fund.

CHAPTER 5 FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES

Article 34 The Company or any of its subsidiaries shall not at any time give any form of Financial Assistance to a person who is acquiring or is proposing to acquire shares in the Company. The person referred to in this paragraph includes any person who directly or indirectly incurs a liability for the purpose of acquiring the Company s shares.

Neither the Company nor any of its subsidiaries shall give any form of Financial Assistance to the person for the purpose of lessening or discharging the liability.

This Article shall not apply to the circumstance under Article 36.

Article 35 For the purposes of this Chapter, Financial Assistance includes (but not limited to) the following forms:

(1) financial assistance given by way of gift;

(2) financial assistance given by way of guarantee (including the provision of an undertaking or assets to secure performance of the obligations by the obligor) or indemnity, other than an indemnity in respect of the Company s own neglect or default, or by way of release or waiver;

Table of Contents

(3) financial assistance given by way of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party to the agreement, or by way of the novation of, or the assignment of rights arising under, a loan or such other agreement; or

(4) any other financial assistance given by the Company when the Company is insolvent or has not net assets or when its net assets would thereby reduce to a material extent.

For the purposes of this Chapter, incurring a liability includes changing one s financial position by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on his own account or with any other person) or by any other means.

Article 36 This following transactions are not considered prohibited under Article 34:

(1) the provision of Financial Assistance where the Financial Assistance is given in good faith in the interests of the company and the Company s principal purpose in giving that assistance is not to give it for the purpose of any such acquisition, or the giving of the assistance is but an incidental part of some larger purpose of the Company;

(2) a distribution of the Company s assets by way of dividend lawfully declared;

(3) the allotment of bonus shares;

(4) a reduction of share capital, a repurchase of shares of the Company, a reorganisation of the share capital or other restructuring of the Company effected in compliance with these Articles;

(5) the lending of money by the Company in the ordinary course of its business, where the lending of money is part of the scope of business of the Company (only if the Company has net assets which are not thereby reduced or, to the extent that those assets are thereby reduced, if the assistance is provided out of distributable profits);

(6) the provision of money by the Company for contributions to employees share schemes (only if the Company has net assets which are not thereby reduced or, to the extent that those assets are thereby reduced, if the assistance is provided out of distributable profits).

CHAPTER 6 SHARE CERTIFICATES AND SHAREHOLDERS REGISTER

Article 37 The share certificates of the Company shall be in registered form.

The share certificates of the Company shall contain the following particulars:

(1) the Company name;

(2) the date on which the Company was registered as established;

(3) the type of shares, the value of the shares and the number of shares represented by the certificate;

(4) the serial number of the share certificate;

(5) other information as required by the Company Law, the Special Regulations and the stock exchange where the relevant shares are listed.

Table of Contents

Article 38 The Company shall have a securities seal in Hong Kong for the purpose of authenticating the issue of H share certificates.

The Company s shares may be transferred, gifted, inherited or pledged in accordance with the stipulations of relevant laws, administrative regulations, rules and regulations of authorized departments and these Articles. The transfer and assignment of shares must be registered with the share registration organ authorized by the Company.

Article 39 The Company does not recognise the use of its shares as the subject of a mortgage.

Article 40 During their terms of office, directors, supervisors and other senior officers of the Company shall periodically report to the Company their shareholdings in the Company and changes therein and shall not transfer more than 25% of such shareholdings per year during their terms of office. The aforesaid persons shall not transfer the shares in the Company held by them within six months from the date on which their resignation from the Company comes into effect.

Article 41 Unless otherwise required by laws, administrative regulations, regulatory authorities or stock exchanges at which the shares of the Company are listed, any gains from any sale of shares of the Company by any director, supervisor, senior officer or shareholder of the Company holding 5% or more of the shares of the Company within six months after their purchase of the same, and any gains from any purchase of shares of the Company by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company, and the board of directors of the Company shall recover such gains from the abovementioned parties. Notwithstanding so, this six-month limitation shall not apply to any securities company holding 5% or more of the shares of the Company which purchasing of the shareholding is as a result of its underwriting obligation.

This Article shall apply to legal person shareholders holding 5% or more of the stock of the Company with voting power and Senior Management as stipulated in these Articles, including but not limited to directors, supervisors and general manager.

If the board of directors of the Company fails to comply with the requirements in accordance with the preceding paragraph, a shareholder shall have the right to request the board of directors to effect the same within thirty days. If the board of directors fails to do so within the said time limit, a shareholder shall have the right to initiate proceedings in the People s Court directly in his own name for the interests of the Company.

If the board of directors of the Company fails to comply with the requirements in accordance with the first paragraph, the responsible director or directors shall assume joint and several liability in accordance with the law.

Article 42 The Company s share certificates shall be signed by the chairman of the board of directors. If the stock exchange where the shares are listed requires other senior officer s signature, such signature shall be included. The share certificates shall be effective with affixure of the Company s seal or a facsimile seal. Authorization from the board of directors is required for affixing the Company seal to share certificates. Signature of the chairman or other senior officer may be made by facsimile signatures.

Article 43 The Company shall maintain a register of holders of shares and enter therein the following particulars:

(1) names, addresses, occupations or descriptions;

(2) the number of each class of shares held;

(3) the amount paid or agreed to be paid on the shares of shares held;

Table of Contents

(4) the serial number of the shares held;

(5) the date at which each holder was entered in the register as a shareholder;

(6) the date at which each holder ceases to be a shareholder.

The register of shareholders shall be sufficient evidence, unless evidence to the contrary is shown, of shareholding in the Company.

Article 44 The Company may maintain the register of holders of overseas listed foreign shares outside the PRC in accordance with the memorandum of understanding and agreement made between the responsible securities authority of the State Council and the securities regulatory authority overseas and appoint an overseas agency for the management of such register. The original of the register of holders of overseas listed foreign shares shall be maintained in Hong Kong.

The Company shall maintain a copy of the register of holders of overseas listed foreign shares at the legal address of the Company. The overseas agency so appointed shall ensure from time to time the consistency between the original and the copy of the register of holders of overseas listed foreign shares.

In the event of inconsistency between the original and the copy of the register of holders of overseas listed foreign shares, the original version shall prevail.

Article 45 The Company shall maintain a complete register of shareholders.

The register of shareholders shall include the following parts:

(1) the register of shareholders maintained at the legal address of the Company other than that specified in paragraphs (2) and (3) of this Article;

(2) the Company s register of holders of overseas listed foreign shares maintained at the place where the stock exchange having the shares listed is located;

(3) the register of shareholders deposited at other places decided by the board of directors as necessary for the listing of the Company s shares.

Article 46 The various parts of the register of shareholders shall not overlap. The transfer of shares registered in a certain part of the shareholders register shall not be registered in other parts of the shareholders register during the existence of the registration of such shares.

All fully paid foreign shares listed in Hong Kong may be transferred freely in accordance with these Articles provided that the board of directors may without assigning any reason therefor decline to recognise any instrument of transfer, unless:

(1) a fee in the sum of two (2) Hong Kong dollars or such higher sum then agreed by the Hong Kong Stock Exchange is paid to the Company in respect of the registration of any transfer in the title of the shares to which it relates or for the alteration in the title of such shares or other documents;

(2) the instrument of transfer is only in respect of foreign shares listed in Hong Kong;

(3) the stamp duty payable in respect of such instrument of transfer has been paid;

(4) share certificates or other evidence as the board of directors may reasonably require to prove the right of the transferor to make the transfer shall be provided;

Table of Contents

(5) if the shares are proposed to be transferred with joint holders, the number of joint holders shall no be more than four (4); and

(6) the relevant shares are free from any lien by any company.

The transfer of overseas-listed foreign shares listed in Hong Kong shall be carried out in writing through transfer instrument in normal or ordinary form or in the form acceptable to the board of directors; and such transfer instrument can be signed by hand or, if the transferor or transferee is a recognised cleaning house as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or its attorney, signed by hand or signed in printed mechanical form. All the transfer instruments shall be maintained at the legal address of the Company or another place the board of directors may designate from time to time.

Any change or alteration to the various parts of the register of shareholders shall be conducted in accordance with the laws of the place where such part of the shareholders register is maintained.

Article 47 No registration of any change in the register of shareholders arising from a transfer of shares shall be effected thirty (30) days before the holding of a shareholders general meeting or within five (5) days before the decision is made on the distribution of dividends by the Company.

Article 48 The board of directors or the convenor of a shareholders general meeting shall fix a date as the date for the determination of shareholders for the purposes of holding shareholders general meetings, distribution of dividends, liquidation and for other activities requiring determination of shareholders. Shareholders whose names are registered in the register of shareholders at the close of business on the date of determination shall be the shareholders of the Company.

Article 49 Any person objecting to the register of shareholders and requesting to have its name registered or removed from the register of shareholders may apply to a court with jurisdiction to have the register of shareholders amended.

Article 50 Any person who is registered holder of shares in the Company or who claims to be entitled to have his name entered in the register of shareholders in respect of shares in the Company may, if it appears that the certificate (the original certificate) relating to the shares is lost, apply to the Company for a new certificate in respect of such shares (the relevant shares).

Holders of domestic shares whose share certificates have been lost may apply for issue of new share certificates in accordance with the procedure set out in article 144 of the Company Law.

Holders of overseas listed foreign shares whose share certificates have been lost may apply for issue of new share certificates in accordance with the procedures laid down by the law, the rules of the stock exchange and other relevant regulations of the place where the original register of holders of overseas listed shares is located.

The issue of new share certificates to H shareholders whose share certificates have been lost shall meet the following requirements:

(1) the applicant shall submit an application to the Company in prescribed form accompanied by a notarial act or a statutory declaration made by the applicant stating the grounds upon which the application is made, the circumstances of the loss, and such other particulars as the case may require in order to verify the grounds upon which the application is made and that no other person is entitled to have his name entered in the register of shareholders in respect of the relevant shares;

Table of Contents

(2) prior to the Company deciding to issue new share certificates, the Company not having received any statutory declaration from any person other than the applicant requesting for his name to be entered into the shareholders register;

(3) the Company shall, if it intends to issue a new share certificate, publish a notice of its intention once every thirty (30) days in a period of ninety (90) consecutive days in such newspaper as may be prescribed by the board for this purpose from time to time;

(4) the Company shall, prior to publication of the notice for issue of new share certificates, deliver to the stock exchange on which the relevant shares are listed a copy of the notice to be published and received confirmation from such stock exchange that the notice has been exhibited on its premises. The period of exhibition of the notice at the relevant stock exchange shall be ninety (90) days.

In the case of an application made without the consent of the registered holder of the relevant shares, a copy of the notice to be published shall be delivered to such registered holder;

(5) if, by the expiration of the 90-day period referred to in sub-paragraphs (3) and (4), the Company shall not have received notice of any other claim in respect of the relevant shares, the Company may issue a new certificate for the relevant shares to the applicant or as he may direct;

(6) where the Company issues a new certificate under this Article, it shall forthwith cancel the original certificate and enter the cancellation and issue in the register of shareholders accordingly;

(7) all expenses relating to an application for the cancellation of an original certificate and the issuance of a new certificate by the Company shall be borne by the applicant and the Company may refuse to take any action until reasonable security is provided.

Article 51 Where the Company issues a new certificate in compliance with these Articles, the name of a bona fide purchaser to whom the new certificate is issued or who is subsequently entered in the share register shall not be removed from the register.

Article 52 The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original certificate or the issuance of the new certificate, unless the claimant proves that the Company had acted deceitfully.

CHAPTER 7 RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Article 53 Shareholders of the Company are persons who legally hold the shares of the Company and have their names registered on the shareholders register.

A shareholder has rights and bears obligations in accordance with his shareholding and class of shares held by him. Shareholders of the same class have the same rights and obligations.

In the case of joint shareholders, if one of the joint shareholders has passed away, the surviving shareholder shall be deemed by the Company to have the ownership of the related shares, but the board of directors is entitled to ask for the provision of the suitable death certificate for the purpose of amendment of the register of shareholders. For joint shareholders of any shares, only the first-named shareholder in the register of shareholders has the right to receive the share certificates of the related shares, receive notices from the Company, attend shareholders general meetings and exercise his voting rights; and any noticed delivered to the said shareholder shall be deemed as if notice has been delivered to all of the joint shareholders of the related shares.

Table of Contents

Article 54 Holders of ordinary shares shall have the following rights:

(1) to receive dividends or other forms of distribution proportional to their shareholding;

(2) to request, call on, preside and attend general meetings of shareholders in person or by proxy in accordance with the law and to exercise their corresponding voting rights;

(3) to supervise the business operations and activities of the Company and to make suggestions or raise questions;

(4) to transfer, gift or pledge shares in accordance with law, administrative regulations and these Articles;

(5) upon providing with evidence of the class and number of shares of the Company held, and following confirmation of the shareholder s identity by the Company, to receive information in accordance with laws, administrative regulations and these Articles, including:

1. to obtain a copy of the Articles of Association after payment of charges at cost;

2. to inspect and copy for reasonable charges:

(i) all parts of the shareholders register;

(ii) particulars of the directors, supervisors and senior officers of the Company including:

(a) present and past names and aliases;

(b) principal residential address;

(c) nationality;

(d) primary and all other business occupations;

(e) identity document and its number;

(iii) the share capital of the Company;

(iv) stubs of company bonds;

(v) reports showing the number and par value of shares repurchased by the Company since the end of the last financial year, the aggregate amount paid by the Company for the shares and the maximum and minimum price paid in respect of each class of shares repurchased;

(vi) minutes of shareholders meetings, resolutions of the board of directors and resolutions of the supervisory committee and financial and accounting reports;

(6) to receive the distribution of residual assets of the Company in proportion to their shareholding upon winding up or liquidation of the Company;

Table of Contents

(7) to request the Company to acquire their shares if the shareholders disapprove any resolution passed at the shareholders general meeting on the merger or demerger of the Company;

(8) where resolutions of the shareholders general meeting or the board of directors violate the provisions of laws or administrative regulations, and infringe the lawful rights and interests of shareholders, to have the right to bring an action to request the ceasing of the abovementioned violation or infringement and the right to request the Company to take action seeking compensation;

(9) to have other rights granted by law, administrative regulations and the Articles of Association.

Article 55 Holders of the ordinary shares shall assume the following obligations:

(1) to comply with the Company Articles;

(2) to pay subscription monies in respect of the shares they have subscribed for and in accordance with the agreed manner of payment;

(3) not to return shares other than in such circumstances stipulated by law and administrative regulation;

(4) not to abuse their shareholders rights to harm the interest of the Company or other shareholders, and not to abuse the independent legal person status of the Company and the limited liability of shareholders to harm the interest of any creditor of the Company. If a shareholder of the Company abuses its shareholder s rights and thereby causes loss on the Company or other shareholders, such shareholder shall be liable for damages in accordance with the law. If a shareholder of the Company abuses the Company s independent legal person status and the limited liability of shareholders for the purposes of avoiding debts, resulting in materially impairing the interests of the creditors of the Company, such shareholder shall be jointly and severally liable for the debts owed by the Company.

(5) to assume other obligations as imposed by law, administrative regulations and the Company Articles.

Except as agreed at the time of subscription of shares, shareholders shall not be liable to make any further contribution to the share capital.

Article 56 The Controlling Shareholders and the de facto controllers of the Company shall not take the advantage of its connected relationship to impair the Company s interest. Any of the above shareholders or persons who violates such provisions and causes losses to the Company shall be liable for damages.

The Controlling Shareholders and beneficial controllers of the Company have fiduciary duties toward the Company, its public shareholders and other shareholders. A Controlling Shareholder shall exercise its rights as shareholder strictly in compliance with the law. A Controlling Shareholder shall not jeopardize the lawful interests of the Company, public shareholders and other shareholders by way of connected transactions, profit allocation, asset reorganization, external investments, fund misappropriation and provision of guarantee for loans, nor shall it jeopardize the interests of the Company, public shareholders and other shareholders by utilizing its controlling position.

Table of Contents

In addition to obligations imposed by laws, administrative regulations or required by rules of the stock exchanges on which the shares of the Company are listed, a Controlling Shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company:

(1) to relieve a director or a supervisor of his duty to act honestly in the best interests of the Company;

(2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) in any guise of the Company s assets, including without limitation any opportunities which are favourable to the Company;

(3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including without limitation rights to distribution and voting rights save and except pursuant to restructuring submitted to shareholders for approval in accordance with these Articles.

Article 57 For the purpose of these Articles, a Controlling Shareholder refers to a person who satisfies one of the following conditions:

(1) he alone or acting in concert with others has the power to elect half or more than half of the members of the board;

(2) he alone or acting in concert with others has the power to exercise or to control the exercise of thirty per cent. (30%) or more of the voting rights in the Company;

(3) he alone or acting in concert with others holds thirty per cent. (30%) or more of the issued and outstanding shares of the Company;

(4) he alone or acting in concert with others in any other manner de facto controls the Company.

For the purposes of these Articles, the term de facto controllers means the persons, not being shareholders of the Company, who are able to exercise de facto control over the acts of the Company through an investment relationship, agreement or other arrangement.

For the purposes of these Articles, the term connected relationship means the relationship between the controlling shareholder, de facto controllers, directors, supervisors and senior officers of the Company and any enterprise directly or indirectly under his or her control, and any other relationship that may result in the transfer of the Company s interests. However, enterprises in which the State has a controlling interest shall not be treated as having a connected relationship merely due to the controlling interest held by the State.

For the purposes of this Article, acting in concert means two or more persons who have reached agreement (whether orally or in writing) to achieve or consolidate control of the Company through the acquisition by any of them of voting rights in the Company.

CHAPTER 8 SHAREHOLDERS GENERAL MEETINGS

Article 58 The shareholders general meeting is the Company s authoritative organisation which exercises its powers in accordance with law.

Table of Contents

The Company shall formulate the Rules of Procedure for the Shareholders General Meetings and shall implement the same upon approval at a shareholders general meeting. The Rules of Procedure for the Shareholders General Meetings shall include the following;

(1) functions and powers of the shareholders general meeting;

(2) delegation of powers to the board of directors by the shareholders general meeting;

(3) the procedures to convene a shareholders general meeting, including the proposal and collection of motions, notice and change of the notice of the meeting, registration of the meeting, convening the meeting, voting and resolutions, adjournment of the meeting, post-meeting matters and public announcement etc.;

(4) any other issues which the shareholders general meeting considers necessary.

The Rules of Procedure for the Shareholders General Meetings shall form an integral part of, and shall have the same legal effect as, these Articles. The Rules of Procedure for the Shareholders General Meetings shall be drafted by the board of directors and approved at a shareholders general meeting.

Article 59 The shareholders meetings exercise the following powers:

(1) to decide on the Company s operational policies and investment plans;

(2) to elect and replace directors and decide on matters relating to the remuneration of directors;

(3) to elect and replace the supervisors who are not employee representatives and decide on matters relating to the remuneration of supervisors;

(4) to examine and approve reports of the board of directors;

(5) to examine and approve reports of the supervisory committee;

(6) to examine and approve the Company s proposed annual financial budgets and final accounts;

(7) to examine and approve the Company s profit distribution plans and plans for making up of losses;

(8) to decide on increases in or reductions of the Company s registered capital;

(9) to decided on issues such as merger, division, dissolution, liquidation or changing of the form of the Company and other matters;

(10) to decide on the issue of bonds by the Company;

(11) to decide on the appointment, dismissal or termination of appointment of auditors;

(12) to amend the Articles of Association;

(13) to review any requisition by the board of directors, supervisory committee or shareholders holding shares with 3% or more of the total voting rights of the Company;

(14) to examine and approve matters relating to guarantees stipulated in Article 60 of the Articles of Association;

Table of Contents

(15) to consider the Company s significant acquisition or disposal of material assets conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;

(16) to examine and approve changes in the use of proceeds;

(17) to examine and approve share incentive schemes;

(18) to authorize and entrust the board of directors to handle any matters authorized and entrusted thereto;

(19) to resolve other matters of the Company as required to be resolved in shareholders general meetings in accordance with laws, administrative regulations, rules and regulations of authorized departments, these Articles and the Rules of Procedures for Shareholders General Meetings.

Where matters are required to be resolved in shareholders meetings in accordance with laws, administrative regulations, rules and regulations of authorized departments, these Articles and the Rules of Procedures for Shareholders General Meetings, the board of directors should convene a shareholders meeting to review such matters in order to protect shareholders rights of decision-making. Except to the extent that the functions and powers of a shareholders meeting are prohibited to be exercised on its behalf by the board of directors or other authorities and individuals by way of authorization as provided for in the laws, administrative regulations, rules and regulations of authorized departments, if the circumstances reasonably require, where it is not possible or not necessary for specific matters related to the resolutions to be by the shareholders meeting, the shareholders meeting may authorize the board of directors to make decisions within the scope of the authority entrusted by the shareholders meeting.

Where the resolution in relation to which the shareholders meeting authorizes the board of directors is an ordinary resolution, then a majority of the shareholders attending the meeting (in person or by proxy) must approve the authorization. If it is a special resolution, then two-thirds or more of the shareholders attending the meeting (in person or by proxy) must approve the authorization. The content of the authorization must be clear and specific.

Article 60 The following matters relating to guarantees provided by the Company to a third party shall be subject to the approval by shareholders at general meetings:

(1) any subsequent guarantee to be provided by the Company in favour of a third party when the aggregate amount of guarantees of the Company and its holding subsidiaries given in favour of third parties has already exceeded 50% of the Company s most recently audited net asset value;

(2) any subsequent guarantee to be provided by the Company in favour of a third party, when the aggregate amount of guarantees of the Company given in favour of third parties has reached or has already exceeded 30% of the Company s most recently audited total asset value;

(3) any guarantee to be provided by the Company in favour of an entity which is subject to a gearing ratio of over 70%;

(4) any single guarantee to be provided by the Company exceeding 10% of the Company s most recently audited net asset value;

(5) any guarantee to be provided in favour of any shareholder, de facto controllers and their connected parties.

Table of Contents

Article 61 Unless prior approval by special resolution of the shareholders meeting is obtained, the Company shall not enter into any contract with any person other than a director, supervisor or the senior officer of the Company to entrust the management of all or a material part of the businesses of the Company to such person.

Article 62 General meetings of shareholders shall be divided into annual general meetings and extraordinary general meetings, and shall be convened by board of directors. An annual general meeting must be convened once each year, and held within six months after the end of each financial year.

The board of directors shall convene an extraordinary general meeting within two months of any of the following circumstances:

(1) the number of the directors is less than the number required by the Company Law or less than two-thirds required by these Articles;

(2) the unrecovered losses of the Company s capital reach one-third of the Company s paid-up share capital;

(3) upon written requisition by the shareholders individually or jointly holding ten per cent. (10%) or more of the issued and outstanding voting shares of the Company;

(4) when deemed necessary by the board of directors or proposed by the supervisors;

(5) in other circumstance as required by the laws, administrative regulations, departmental rules or these Articles.

In paragraph (3) above, shareholdings will be calculated as of the day upon which the written requisition is made.

Article 63 Any requisition by the supervisory committee or by shareholders alone or together holding ten per cent (10%) or more of the total voting rights of the Company to convene an extraordinary general meeting or a class meeting shall be dealt with by the following procedures:

(1) by signing one or more counterpart requisitions stating the object of the meeting, require the board of directors to, and the board of directors shall as soon as possible proceed to, convene an extraordinary general meeting of shareholders or a class meeting or dispatch a notice of meeting within fifteen (15) days after receiving written request from the supervisory committee. The shareholding of the requisitionists shall be the shareholding on the date of deposit of the requisition;

(2) if the board of directors fails to issue a notice of meeting within thirty (30) days from the date of the receipt of the requisition, the requisitionists may themselves convene such a meeting in a manner as similar as possible as that in which meetings are to be convened by the board of directors; provided that any meeting so convened shall be convened within four (4) months of the date of receipt of the requisition by the board.

Any reasonable expenses incurred by the requisitionists by reason of the board failing to convene a meeting shall be borne by the Company and such expenses shall be set off against sums owed by the Company to the directors in default.

Table of Contents

Article 64 When the Company convenes a shareholders general meeting, the board of directors, supervisory committee and shareholders who individually or jointly hold shares with three per cent. (3%) or more of the total voting rights of the Company shall have the right to move motions in writing for shareholders meetings.

Shareholders who individually or jointly hold three per cent. (3%) or more of the shares of the Company may propose and submit in writing an extraordinary motion to the convener ten (10) days prior to the convening of the shareholders general meeting. The convener shall issue a supplementary notice of the shareholders general meeting within two (2) days upon receipt of such motion and shall make an announcement on the content of the extraordinary motion.

Except for those provided for in the preceding paragraph, the convener shall neither amend the motion specified in the notice of the shareholders general meeting nor add any new motion after the issuance of the notice of the shareholders general meeting.

Motions for shareholders meetings shall comply with the following conditions:

(1) the contents do not conflict with laws, regulations and the Articles, and is within the business scope of the Company and the powers of the shareholders meeting;

(2) there is a clear subject and specific resolution;

(3) it is submitted or delivered in writing to the board of directors.

Motions which are not specified in the notice of the shareholders general meeting or do not comply with the requirements set forth in the preceding paragraphs shall not be voted or resolved at a shareholders general meetings.

Article 65 The board of directors should be guided by the best interests of the Company in reviewing motions raised in accordance with the previous Article.

Article 66 Notice of shareholders meeting shall be given to the shareholders forty-five (45) days (excluding the date of the meeting) before the date of the meeting in writing. The agenda, date and place of the meeting shall be notified to the shareholders whose names are on the register. The shareholders who wish to attend the meeting shall send their reply regarding the proposed attendance in writing to the Company twenty (20) days before the date of the meeting.

The Company convened a general meeting of shareholders to consider and approve Article 93 of the Articles that is related to the resolutions of public shareholders. The Company shall reannounce the notice of the general meeting of shareholders within three days after the date of share registration notwithstanding that a notice of the general meeting of shareholders has been issued.

Article 67 The location for holding a general meeting of the Company shall be in Shanghai, Shenzhen or Hong Kong and the exact location shall be specified in the notice of general meeting.

The Company shall, on the premise of ensuring the lawfulness and validity of the general meeting, expand the proportion of social public shareholders participating in the general meeting, through various methods or channels including the provision of up-to-date information technology measures such as online voting platforms.

The same voting right shall only select any one of the voting methods, namely voting on-site, voting online or other voting methods. Only the first voting result is viewed as valid for any multiple voting of the same voting right.

Table of Contents

Shareholders or their proxies who vote online or in other methods are entitled to check their own voting results through the relevant voting system.

Article 68 The Company shall calculate the number of shares carrying voting rights of the shareholders who have replied to attend the shareholders meeting twenty (20) days before the meeting. The Company shall convene the general meeting if the number of the shares carrying voting rights of the shareholders who propose to attend is more than half of the total number of shares carrying voting rights of the Company. If the requirement is not met, the Company shall publish an announcement containing the proposed agenda, date and place of the meeting within five (5) days to re-notify the shareholders of the meeting. The Company can convene the shareholders meeting after having published the announcement.

An extraordinary general meeting shall not resolve on matters which are not contained in the notice of meeting.

Article 69 A notice of shareholders meeting shall:

(1) be in writing;

(2) specify the place, date and time of the meeting;

(3) state the general nature of business to be transacted at the meeting;

(4) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase the shares of the Company, to reorganise the share capital structure of the Company or other restructuring, the terms of the proposed transaction shall be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal shall be properly explained;

(5) if matters relating to election of directors and supervisors are proposed to be discussed at a general meeting of shareholders, detailed information concerning the candidates shall be fully disclosed in the notice of the general meeting, which shall at least include the following:

(i) personal information relating to the candidates including educational background, work experience and all other positions undertaken on a part-time basis;

(ii) whether the candidates are connected with the Company, its controlling shareholders or de facto controllers;

(iii) disclosing the candidates shareholdings in the Company;

(iv) whether the candidates have been subject to any punishment by the China Securities Regulatory Commission or other relevant department or to any sanction by any stock exchange.

(6) contain a disclosure of the nature and extent, if any, of material interests of any director, supervisor and the senior officer of the Company in the business to be transacted and the effect of the business to be transacted on them in their capacity as shareholders so far as it is different from the effect on the interest of shareholders of the same class;

Table of Contents

(7) contain the text of any special resolution proposed to be resolved at the meeting;

(8) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote for and on behalf of him and that a proxy need not also be a shareholder;

(9) state the record date for shareholders entitled to attend the meeting;

(10) state the time and place for delivery of proxy forms for use at the meeting;

(11) state the name and telephone number of the contact person for the meeting.

Article 70 Notice of the meeting shall be served by delivery or sent by prepaid airmail to the shareholders (whether or not entitled to vote thereat) at the addresses as registered on the shareholder register (whether that address is in the PRC or overseas). In the case of domestic shareholders, the notice may also be given by announcement.

An announcement as aforementioned refers to the announcement made in one or more newspapers specified by the relevant securities authority of the State Council within forty-five (45) days to fifty (50) days before the date of when the general meeting is to be held. Such publication shall be deemed receipt of the notice of the meeting by each holder of the domestic shares. In any event, the aforementioned announcement must at the same time be published in one or more newspapers specified by the relevant securities authority in Hong Kong.

Article 71 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Article 72 If a meeting convenor has issued a notice for convening a shareholders meeting, the meeting may not be postponed or cancelled without cause and the motions specified in the notice of the shareholders general meeting shall not be cancelled. In the event of any delay or cancellation of the shareholders general meeting, the meeting convenor shall issue an announcement and explain the reasons for such delay or cancellation at least two (2) working days prior to the date on which the shareholders general meeting has been scheduled to convene.

Article 73 The board of directors of the Company together with other convenors shall adopt necessary measures to maintain the normal order of the general meeting of shareholders. Measures shall be taken to stop any act which interferes with or causes nuisance at a general meeting and any act which infringes the lawful interests of the shareholders. Timely report of these acts shall be made to the relevant authority for investigation.

Article 74 All shareholders who are listed on the Company s register as of the record date or their proxies shall be entitled to attend the shareholders general meeting and exercise their voting rights in accordance with the relevant laws and regulations and these Articles.

Any shareholder entitled to attend and vote at a meeting of the Company may attend the meeting in person or appoint one or more than one person (whether a shareholder or not) as his proxy/proxies to attend and vote for and on behalf of him, and the proxy so appointed:

(1) shall have the same right as the shareholder to speak at the meeting;

(2) may demand or join in demanding a poll;

(3) may vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

Table of Contents

Where a shareholder is a recognised clearing house as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the shareholder may authorize one or more suitable person to act as its representative at any shareholders meeting or at any class meeting; however, if more than one person is authorized, the power of attorney shall clearly indicate the number and type of shares related to such authorization. The persons who have received such authorization may exercise the rights on behalf of the recognised clearing house (or its proxy), as if such persons were individual shareholders of the Company.

Article 75 A shareholder may appoint a proxy to attend a shareholders meeting by an instrument in writing. The proxy instrument shall set out the number of shares represented by the proxy. If more than one person is appointed as a proxy, the proxy instrument shall clearly set out the number of shares represented by each such person. The instrument of proxy shall be signed by the shareholder appointing the proxy or by a person duly authorized in writing to appoint such proxy. If the appointer is a legal person, the common seal of the legal person shall be affixed, or the signature of its directors or the person duly authorized to appoint such proxy.

Article 76 The proxy instrument issued by a shareholder authorizing a proxy to attend a shareholders meeting shall set out the following information:

(1) the name of the proxy;

(2) the number of shares represented by the proxy;

(3) whether or not the proxy shall exercise voting rights;

(4) indicate in relation to each motion on the agenda of the shareholders meeting directions to vote for or against;

(5) date, and period of validity;

(6) the signature (or seal) of the appointer or by the person duly authorized in writing to appoint such proxy; where the appointer is a legal person shareholder, the seal of the legal person entity or the signature of the director or the person duly authorized shall be affixed.

If the shareholder does not make any specific direction, the proxy instrument must clearly indicate that the proxy may vote as it sees fit.

Article 77 The instrument appointing a proxy shall be deposited at the address of the Company or such other place as specified in the notice convening the meeting 24 hours before the time for holding the meeting to which the instrument of proxy relates or 24 hours before the time specified for the vote. If the instrument of proxy is signed by an attorney authorized by the appointor, the power of attorney or other authorization documents shall be notarised. The power of attorney or other authorization documents so notarised shall be deposited together with the instrument of proxy at the legal address of the Company or such other place specified in the notice convening the meeting.

If the shareholder appointing a proxy is a legal person, its legal representative or any person authorized by the board of directors or by other decision making body pursuant to a resolution shall attend the Company s shareholders general meeting on its behalf.

Article 78 Any form of proxy provided to the shareholders by the Company s board of directors for the appointment of shareholders proxies shall allow the shareholders to elect freely to instruct the proxy in the casting of votes (in favour or against) and give instructions in respect of each matter of every business to be transacted at the meeting for which a poll is required. The instrument of proxy shall specify that if no instruction is given by a shareholder, the proxy may vote according to his own will.

Table of Contents

Article 79 A vote given by a proxy in accordance with an instrument of proxy shall be valid notwithstanding the death or incapability of the appointor, revocation of the proxy or of the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such matters as aforesaid shall have been received by the Company before the commencement of the meeting in connection therewith.

Article 80 Individual shareholders attending a meeting in person should produce their identity document. A proxy attending a meeting on behalf of another person should produce their identity document and the proxy instrument.

Article 81 Directors other than independent directors and shareholders complying with the relevant legal requirements may solicit voting rights at shareholders meetings from shareholders. Such soliciting must be without compensation, and information must be fully disclosed to the person being solicited.

Article 82 The Company is responsible for registration of attendees at a meeting. Information registered should include the name of the attendee (or organisation), identity document number, number of shares held or voting power of shares represented and name of person (or organisation) being represented.

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

Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote. The number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote shall be determined in accordance with those registered during the meeting.

Article 83 When convening a general meeting of shareholders, all directors, supervisors and the secretary of the board of directors of the Company shall attend the meeting. Other senior officers shall attend the meeting as non-voting attendees.

Article 84 When a shareholders meeting is considering and approving matters relating to connected transactions, the relative connected shareholders may not exercise any voting rights, and the voting rights represented by the number of shares held by such connected shareholders shall not be calculated in the total number of shares valid and voting. The announcement of the resolutions of the shareholders meeting must fully disclose the results of the non-connected shareholders voting.

Article 85 Subject to Article 90, shareholders (including proxies) shall, on a poll, have voting rights corresponding to the number of shares held by them which carry voting rights and, other than in cases of cumulative voting set out in Article 121, each such share shall have one vote.

The shares held by the Company itself shall not be attached with voting rights. Such shares shall not be counted in the total number of voting shares held by shareholders attending the shareholders general meetings.

Table of Contents

Article 86 Unless a poll is demanded by the following persons before or after a show of hands, resolutions at a shareholders general meeting shall be passed by a show of hands:

(1) the chairman of the meeting;

(2) at least two shareholders or proxies having the right to vote;

(3) one or more shareholders (including proxies) holding shares alone or jointly representing ten per cent. (10%) or more of the voting rights present at such meeting.

Unless a poll is demanded, a declaration by the chairman that a proposal has been adopted by a show of hands and recorded in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn by the person who demands it.

Article 87 A poll demanded on the election of the chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other questions shall be taken at such time as the chairman of the meeting directs, and any business other than that on which the poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Article 88 On a poll, shareholders (including proxies) having the right to cast two or more than two votes need not cast all their votes in favour of or against a resolution.

Article 89 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second vote.

Article 90 Resolutions of the shareholders general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution by a shareholders general meeting shall require the approval of shareholders (including proxies) representing a majority or more of the voting rights present at the meeting.

A special resolution by a shareholders general meeting shall require the approval of shareholders (including proxies) representing two-thirds or more of the voting rights present at the meeting.

Shareholders (including proxies) present at the meeting should clearly indicate a vote for or against each resolution requiring a vote at the meeting. Abstentions or failures to vote will not be processed as shares with voting rights when the Company is calculating the results of voting.

Where any shareholder is under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) required to abstain from voting or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 91 The following matters shall be adopted by ordinary resolution at shareholders general meetings:

(1) the working reports by the board of directors and the supervisory committee;

(2) the profit distribution proposal and proposal to recover losses formulated by the board of directors;

(3) the appointment or removal of the members of the board of directors and members of the supervisory committee who are not employee representatives and their remuneration and method of payment;

Table of Contents

(4) the Company s annual budget and final report, balance sheet, profit and loss accounts and other financial statements;

(5) the Company s annual report;

(6) other matters except those required to be adopted by special resolution in accordance with the provisions of law or administrative regulations or the Company Articles.

Article 92 The following matters shall be resolved by special resolution at shareholders general meetings:

(1) increase or reduction of the Company s share capital and the issue of any type of shares, warrants and other similar securities;

(2) issue of corporate bonds;

(3) division, merger, dissolution, liquidation or the change of the form of the Company;

(4) amendments to the Articles of Association;

(5) the Company s significant acquisition or disposal of material assets or provision of guarantees conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;

(6) share incentive schemes;

(7) other matters which are required under the laws, administrative regulations or these Articles, and which are resolved by shareholders by ordinary resolution that are considered by the shareholders to be material to the Company and are required to be passed by special resolution.

Article 93 The following issues shall require approval on resolutions submitted to the shareholders general meeting of the Company, and the approval by more than one half of the voting rights held by the public shareholders who are present at the meeting and having the domestic shares listed on the domestic market, in order for such issues to take effect or to submit such issues for application:

(1) the issuance of new shares to public shareholders of the Company (including overseas-listed foreign shares or other title certificates with a share nature, except for the overseas-listed foreign shares that are, upon approval at the shareholders general meeting by way of a special resolution, issued by the Company at a 12-month interval with a volume not exceeding 20% of the foreign shares in issue), issuance of convertible bonds of the Company or placing of shares to existing shareholders (other than those promised to be fully subscribed by the Controlling Shareholder in cash prior to the meetings);

(2) major asset reorganization of the Company, pursuant to which the total amount of assets purchased has exceeded the audited net nominal value of the assets purchased by 20% or above;

(3) the repayment of debts owed to the Company with the equities held by the shareholders in the Company;

(4) the foreign listing of the subsidiaries of the Company which has a material effect on the Company;

Table of Contents

(5) any relevant matter which has a material effect on the interests of the public shareholders during the development of the Company.

A shareholders general meeting will be convened to approve and consider the resolutions stated above. A voting platform by way of internet should be provided to shareholders if the technical conditions allow.

Article 94 At the annual general meeting of shareholders, the board of directors and the supervisory committee shall report on their work for the previous year. Each of the independent directors shall also report on their work.

Directors, supervisors and senior officers shall provide responses and explanations to queries or recommendations raised by shareholders at a general meeting of shareholders, unless the matters relate to commercial secrets of the Company which cannot be disclosed at the general meeting of shareholders.

The external audit firm shall attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors report, the accounting policies and auditor independence.

Article 95 The chairman of the board shall preside over general meetings of shareholders. If the chairman of the board is unable to or does not perform his or her duties, the vice-chairman of the board of directors (and in case the Company has two or more vice-chairmen of the board of directors, the vice-chairman of the board of directors jointly elected by half or more of the total number of directors) shall preside over and chair the meeting. If the vice-chairman of the board of directors is unable to or does not perform his or her duties, a director jointly elected by half or more of the total number of directors shall preside over and chair the meeting.

A shareholders general meeting convened by the supervisory committee on their own shall be presided by the chairman of the supervisory committee. If the chairman of the supervisory committee is unable to or does not perform his or her duties, the vice-chairman of the supervisory committee shall preside over the meeting. If the vice-chairman of the supervisory committee is unable to or does not perform his or her duties, a supervisor jointly elected by half or more of the total number of supervisors shall preside over the said meeting.

If a shareholders general meeting is convened by the shareholders on their own, the convener shall elect a representative to preside over the meeting.

When convening a shareholders general meeting, if the person presiding over the meeting violates the rules of procedure resulting that the shareholders general meeting becomes unable to proceed, a person may, subject to the consent of a majority of the shareholders with voting rights attending the meeting at the scene, be elected at the shareholders general meeting to act as the person presiding the shareholders general meeting so that the meeting may be proceeded.

Article 96 Before a resolution is decided on a motion at a general meeting of shareholders, two representatives of the shareholders shall be nominated to participate in counting the votes as well as supervising the counting process. If a shareholder is interested in the matters under consideration, the relevant shareholder and his proxies shall not participate in counting the votes or supervising the

counting process.

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

Table of Contents

At any general meeting of shareholders, the chairman shall be responsible for deciding whether any resolution has been carried or not and the result of this decision shall be announced to the meeting and recorded in the minutes thereof and shall be conclusive.

Article 97 If the chairman has any doubt about the results of voting on a resolution, he may take a poll. If the chairman does not demand a poll, and if any of the shareholders or proxies attending the meeting have any doubts about the results announced by the chairman, they have the right to demand a poll immediately after such announcement, and the chairman shall immediately conduct a poll.

Article 98 If a poll is taken at any meeting, the result thereof shall be duly recorded in the minutes of that meeting.

Article 99 A general meeting of shareholders shall not be declared closed for shareholders who attend in person at a time earlier than for those shareholders who attend via internet or other permitted means. The chairman of the meeting shall announce to the meeting the voting details and results of each motion and shall declare whether or not a motion is adopted on the basis of the relevant voting results.

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

Article 100 Minutes of a general meeting of shareholders shall be kept and such minutes shall be prepared by the secretary of the board of directors. Minutes of general meetings of shareholders should set out the following:

(1) the date and venue for convening the meeting, meeting agenda and the name of the convenor;

(2) the name of the chairman of the meeting as well as those of the directors, supervisors, and senior officers who attend the meeting as attendees and non-voting attendees;

(3) the number of shareholders and proxies attending the meeting, the total number of voting shares represented by the shareholders who are entitled to vote; the proportion of the number of voting shares represented by the shareholders who are entitled to vote out of the total number of shares of the Company; the number of voting shares represented by public shareholders holding domestically listed shares (including their proxies) and the number of voting shares represented by shareholders holding non-circulating shares (including their proxies) and their respective proportions out of the total number of shares of the Company; the individual voting results for each motion of the public shareholders holding domestically listed shares and shareholders holding non-circulating shares;

(4) a description of the considerations taken for each motion, the main points put forward by each speaker relating thereto and the voting results thereof;

(5) details of queries and recommendations of the shareholders and the corresponding response or explanation in relation thereto;

(6) the names of the legal advisers and persons responsible for counting the votes and for supervising the counting process; and

Table of Contents

(7) other contents which should be recorded in the minutes as provided for in the Articles of Association.

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

Article 101 Copies of the minutes of meetings shall be made available for inspection by shareholders during the business hours of the Company free of charge. If any shareholder requests for a copy of any minutes, the Company shall send a copy to him within seven (7) days after receipt of reasonable charges.

Article 102 A public announcement of resolutions of a general meeting of shareholders should set out the number of shareholders (or proxies) attending the meeting, the number of shares (or proxies) represented and the proportion of the Company s total shares with voting power thereby represented, the method of voting and the results of voting for each resolution. For resolutions proposed by shareholders, the announcement should set out the name of the shareholder proposing the resolution, the proportion of shares held and the content of the resolution.

For resolutions not passed at the meeting, or where shareholders amend a resolution, the directors should provide an explanation in the public announcement of resolutions of the general meeting of shareholders.

Article 103 The convenor shall ensure that a general meeting of shareholders is held on a continuous basis until a final resolution is adopted. If a general meeting is suspended or no resolution can be adopted due to force majeure or other exceptional reasons, necessary measures shall be taken so as to promptly re-convene the general meeting or to directly terminate the then general meeting, and public announcement relating thereto shall also be made on a timely basis. At the same time, the convenor shall report the same to the local office of China Securities Regulatory Commission and to relevant stock exchanges.

Article 104 At a general meeting of shareholders, the Company shall retain legal advisers and obtain legal advice in relation to the following issues which shall be incorporated into the shareholders resolutions for announcement purposes:

(1) whether the procedures for convening and holding a general meeting comply with the requirements of the laws, administrative regulations and these Articles of Association;

(2) whether attendees or the convenor of a general meeting meet the requisite legal requirements;

(3) whether the voting procedures for and the voting results of the general meeting are lawful and valid; and

(4) issuance of legal opinions on other relevant issues at the request of the Company.

Article 105 If a motion in respect of the distribution of cash or bonus shares, or in connection with the capital increase by conversion from common reserve funds is adopted at a general meeting of shareholders, the Company shall implement such distribution within

two (2) months of the relevant general meeting. If the above motion is a profit distribution proposal, the board of directors of the Company is required to complete the distribution of dividends (or shares) within two (2) months after convening the shareholders general meeting.

Table of Contents

CHAPTER 9 SPECIAL PROCEDURES ON CLASS MEETINGS

Article 106 Holders of different classes of shares are class shareholders.

Class shareholders shall have the same rights and obligations in accordance with law, administrative regulations and the Company Articles.

Article 107 Rights conferred on any class shareholder (class rights) may not be varied or abrogated unless approved by a special resolution of shareholders in general meeting and by shareholders of that class at a separate shareholders meeting held in accordance with Articles 109 to 113.

Article 108 The following shall be deemed to be a variation or abrogation of the class rights:

(1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;

(2) to effect a conversion of all or a part of the shares of such class into another class or to effect a conversion or create a right of conversion of all or part of the shares of another class into the shares of such class;

(3) to remove or reduce rights to dividends, rights to accrued dividends or rights to cumulative dividends of such class;

(4) to reduce or remove the preferential rights to dividends of such class or the preferential rights to asset distributions of such class upon liquidation of the Company;

(5) to add, remove to reduce the rights to conversion, option, voting, transfer, preferential placement or acquisition of the Company s securities of such class;

(6) to remove or reduce the rights to receive payment in particular currencies of such class;

(7) to create a new class of shares having voting or distribution rights or other privileges equal or superior to the shares of such class;

(8) to restrict the transfer or ownership of the shares of such class or add to such restrictions;

(9) to allot and issue rights to subscribe for, or to convert into, shares in the Company of such class or another class;

(10) to increase the rights or privileges of another class;

(11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring;

(12) to vary or abrogate this Article.

Article 109 Shares of the affected class, whether or not otherwise carrying the right to vote at general meetings, shall nevertheless carry the right to vote at class meetings in respect of matters concerning Articles 108(2) to 108(8), Articles 108(11) to 108(12) of these Articles, but Interested Shareholder(s) shall not be entitled to vote at class meetings.

Table of Contents

The meaning of an Interested Shareholder as mentioned in the foregoing paragraph shall be:

(1) in the case of repurchase of shares by making a general offer to the shareholders in proportion to their shareholding or repurchasing their shares in public on a stock exchange under Article 30, an Interested Shareholder means the Controlling Shareholder as defined in Article 57;

(2) in the case of a repurchase of shares by an off-market contract under Article 30, an Interested Shareholder means a holder of the shares to which the proposed contract relates;

(3) in the case of a restructuring of the Company, an Interested Shareholder means a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Article 110 Resolutions of any class shareholders meeting shall be made by two-thirds or more of the votes of the shareholders whose shares carry rights to vote of that class present at that meeting in accordance with Article 109 of these Articles.

Article 111 Notice of class shareholders meeting shall be given to the class shareholders forty-five (45) days (exclusive of the date of meeting) before the date of the meeting in writing. The agenda, date and place of the meeting shall be notified to all of the class shareholders whose names are on the register (regardless of whether the registered address of such shareholders are within or outside the PRC). The class shareholders who wish to attend the meeting shall send their reply regarding the proposed attendance in writing to the Company twenty (20) days before the date of the meeting.

The Company shall convene the class shareholders meeting if the voting rights of the class shareholders who propose to attend hold shares carrying more than half of the total voting rights of that class. If the requirement is not met, the Company shall publish an announcement (by publication in newspapers) containing the proposed agenda, date and place of the meeting within five (5) days to re-notify the shareholders of the meeting. The Company can convene the class shareholders meeting after having published the announcement.

Article 112 Notice of class shareholders meeting needs only be served on class shareholders who are entitled to vote thereat.

Meeting of any class of shareholders shall be conducted as nearly as possible as general meetings of shareholders. The provisions of these Articles relating to any meeting of shareholders shall apply to any meeting of a class of shareholders.

Article 113 Save and except for other classes of shares, holders of domestic shares and overseas listed foreign shares are deemed to be different classes of shareholders.

The special procedures of approval by separate class shareholders shall not apply to the following circumstances:

(1) where the Company issues, upon approval by a special resolution of the shareholders in a general meeting, either separately or concurrently once every twelve months, not more than twenty per cent. (20%) of each of the existing issued domestic shares and overseas listed foreign shares of the Company; or

Table of Contents

(2) where the Company s plan to issue domestic shares and overseas listed foreign shares on establishment is implemented within fifteen (15) months from the date of approval by the State Council Securities Commission.

CHAPTER 10 BOARD OF DIRECTORS

Article 114 The Company shall have a board of directors which shall consist of twelve (12) members, of which more than one-third shall be independent (non-executive) directors (that is, directors who are independent from the shareholders of the Company and do not hold any office in the Company, hereinafter referred to as independent directors), and at least one independent director shall be an accounting professional (that is, a person holding a senior position or a certified accountant).

There shall be one (1) chairman and one (1) to two (2) vice-chairman.

The board of directors may establish such committees as the strategic planning (development), audit, remuneration and appraisal, and nomination committees based on need. Of these committees, the audit, remuneration and appraisal, and nomination committees shall have independent directors as a majority of its members.

Each specialist committee shall have the following basic responsibilities:

(1) Major responsibilities of the audit committee are:

(i) to propose the appointment or replacement of an external audit firm and to oversee the work of the external audit firm;

(ii) to oversee the Company s internal audit policy and the implementation thereof;

(iii) to be in charge of the communications between the Company s internal and external auditors;

(iv) to review the Company s financial reports and the disclosure thereof;

(v) to review the Company s internal control system and submit to the board an annual self-assessment report on the Company s internal control;

(vi) to review the major connected transactions;

(vii) to review the arrangements made by the Company for the concerns raised by employees in confidence about improprieties in financial reporting, internal control or other matters, and to ensure that the Company will conduct a fair and independent investigation of these matters and take appropriate follow-up action; and

(viii) to perform other duties and powers as assigned by the board.

(2) Major responsibilities of the remuneration and appraisal committee are:

(i) to formulate a remuneration policy and an implementation scheme according to the main terms of reference, duties and significance of the management positions of the directors and officers, as well as on the basis of the pay levels for the relevant positions at other relevant companies;

Table of Contents

(ii) to carry out the remuneration policy and the implementation scheme, which primarily comprise performance appraisal standards and procedures, a main evaluation mechanism, award and penalty regimes and standards, etc.;

(iii) to review and approve the remuneration proposals for the management with reference to the Company s business goals and objectives set by the board;

(iv) to review the performance of duties by the directors and officers of the Company and to conduct annual performance appraisals thereof;

(v) to review and approve compensation payable to executive directors and officers of the Company for any loss or termination of office, or compensation arrangements in connection with the dismissal or removal of directors of the Company for misconduct to ensure that such compensation or compensation arrangements are consistent with contractual terms or are otherwise fair and not excessive;

(vi) to ensure that no director or any of his directly interested parties thereof is involved in deciding his own remuneration; and

(vii) to perform other duties and powers as assigned by the board.

(3) Major responsibilities of the nomination committee are:

(i) to examine the criteria, procedures and methods for the selection of directors and officers and to submit the same to the board for consideration;

(ii) to review the structure, size and composition of the board (including the skills, knowledge and experience) at least annually and to make recommendations on any proposed changes to the board to complement the Company s corporate strategies;

(iii) to identify candidates with appropriate qualifications to act as directors and to select and nominate such candidates;

(iv) to conduct an investigation into the candidates for directorships and the position of general manager and to recommend to the board;

(v) to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors (especially the chairman and the general manager);

(vi) to assess the independence of independent non-executive directors;

(vii) to conduct fact-finding investigations into the candidates for other management positions as proposed by the general manager and to offer opinions on such investigations to the board;

(viii) to search for candidates available for employment in the domestic and overseas human resources markets and within the Company and to make recommendations to the board;

(ix) to perform other duties as assigned by the board; and

Table of Contents

(x) to perform other duties as assigned by the securities regulatory authorities in places where the Company is listed.

The board of directors shall have one or more directors as executive directors. The executive directors shall be responsible for matters as entrusted by the board.

Article 115 The independent directors shall perform their duties faithfully to protect the interests of the Company, and should particularly ensure that the lawful interests of public shareholders shall not be jeopardized.

Independent directors shall perform their duties independently and none of them shall be influenced by the Company s substantial shareholders, beneficial controllers or entities or parties that are interested in the Company, its substantial shareholders or beneficial controllers.

Article 116 Directors shall be natural persons, and are not required to hold shares in the Company.

Directors shall be elected by shareholders at shareholders general meetings. The term of office of the directors shall be three (3) years, which commences from the date on which such directors serve their term of office until the end of the current session of the board of directors. The directors may be re-elected after the expiration of their term, however independent directors may not serve for terms exceeding six (6) years. Serving more than nine (9) years could be relevant to the determination of a non-executive director s independence. If an independent non-executive director serves more than nine (9) years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.

Newly appointed directors or supervisors shall serve their respective term of office immediately after a shareholders general meeting is closed or at such time as may be specified in a resolution adopted at the shareholders general meeting.

If the term of the directors expires but re-election has not been conducted in time, the existing directors shall continue to perform their directors duties in accordance with the laws, administrative regulations, the rules and regulations of the competent authorities together with these Articles and the appendices attached hereto until the re-elected directors serve their respective term of office.

The chairman and vice-chairman shall be appointed and removed from office by more than half of all the directors. The term of office of the chairman and vice-chairman shall be three years and they may be re-elected after the expiration of their term.

Article 117 The candidates for election as directors shall be placed as a resolution before a general meeting of shareholders.

Candidates for independent directors may be nominated by the board of directors, supervisory committee or shareholders individually or together holding one per cent. (1%) or more of the issued shares of the Company, and shall be elected by the shareholders at shareholders general meetings.

Candidates for directors other than independent directors may be nominated by the board of directors, supervisory committee or shareholders individually or together holding three per cent. (3%) or more of the total voting rights of the Company, and shall be elected by the shareholders at shareholders general meetings.

Table of Contents

Article 118 The following procedure must be followed prior to electing independent directors:

(1) Before nominating a candidate for election as an independent director, the nominator should first obtain the consent of the nominee, and fully understand the nominee s qualifications, education, profession, detailed working experience and other positions held, and said nominator is responsible for providing such written materials to the Company. The candidate shall provide a written undertaking to the Company, agreeing to accept the nomination, confirming the truthfulness and completeness of the publicly disclosed materials relating to the candidate and guaranteeing that following election they will practically carry out the responsibilities of a director.

(2) The nominator of the independent director must make a statement regarding the qualifications and independence of the nominee, and the nominee must make a public declaration that there does not exist any relationship between himself and the Company which may influence his independent objective judgement.

(3) If the nomination of a candidate for independent director occurs before the Company holds a meeting of the board of directors, then the written materials regarding the nominee set out in paragraphs (1) and (2) of this Article shall be made public together with the resolutions of the board of directors or the notice of the shareholders general meeting.

(4) If shareholders alone or together holding three per cent. (3%) or more of the voting rights of the Company or the supervisory committee proposes a motion at the annual general meeting of shareholders for the election of a candidate for an independent director, then written notice of the intention of such person(s) nominating the candidate and the willingness of the nominee to accept the nomination, together with the written materials and undertakings relating to the nominee set out in paragraphs (1) and (2) of this Article, shall be delivered to the Company during a period of not less than ten (10) days commencing no earlier than the day after the despatch of the notice of such annual general meeting of shareholders and ending no later than ten (10) days before the date of such shareholders general meeting.

(5) When a notice convening the shareholders general meeting for the election of independent directors is announced, the Company should submit relevant materials regarding all nominees simultaneously to the stock exchanges authorized by the securities regulatory and administrative organs under the State Council on which the Company s shares are listed. If the board of directors have any objections to the nominees, it should also submit its written opinions at the same time. Where the relevant stock exchanges have any objections to a nominee, that person shall not be a candidate for election as independent director. When convening a general meeting of shareholders to elect independent directors, the board of directors of the Company should explain whether the relevant stock exchanges have any objections to any of the candidates for election as independent director.

Article 119 Prior to electing non-independent directors, the following procedure should be followed:

(1) Before nominating a candidate for election as a non-independent director, the nominator should first obtain the consent of the nominee, and fully understand the nominee s qualifications, education, profession, detailed working experience and other positions held, and said nominator is responsible for providing such written materials to the Company. The candidate shall provide a written undertaking to the Company, agreeing to accept the nomination, confirming the truthfulness and completeness of the publicly disclosed materials relating to the candidate and guaranteeing that following election they will practically carry out the responsibilities of a director.

Table of Contents

(2) If the nomination of a candidate for non-independent director occurs before the Company holds a meeting of the board of directors, then the written materials regarding the nominee set out in paragraph (1) of this Article shall be made public together with the resolutions of the board of directors or the notice of the shareholders general meeting.

(3) If shareholders alone or together holding three per cent. (3%) or more of the voting rights of the Company or the supervisory committee propose a candidate for election as a non-independent director to the annual general meeting of shareholders, then written notice of the intention of such person(s) nominating the candidate and the willingness of the nominee to accept the nomination, together with the written materials and undertakings relating to the nominee set out in paragraph (1) of this Article, shall be delivered to the Company during a period of not less than ten (10) days commencing no earlier than the day after the despatch of the notice of such annual general meeting of shareholders and ending no later than ten (10) days before the date of such shareholders general meeting.

Article 120 Independent directors must fulfil the following basic conditions:

(1) be qualified to act as a company director pursuant to PRC and overseas laws and regulations;

(2) possess the independence required pursuant to these Articles;

(3) possess a basic knowledge of the operations of a listed company, and be familiar with the relevant laws, administrative regulations, rules and codes;

(4) have at least five (5) years working experience in law, economics or other area required for the fulfillment of responsibilities as an independent director.

Article 121 If the controlling shareholder of the Company exercise more than 30% control, when resolutions are proposed for the election of directors at a shareholders general meeting, the cumulative voting method shall be adopted, thus when a shareholders general meeting is electing two or more directors, each share held by a shareholder participating in the vote has equal voting rights in relation to the total number of candidates for election as directors, and a shareholder may either vote all of their shares on one person, or divide their votes across several persons. The main contents of the cumulative voting system are as follows:

(1) when two or more directors are required to be elected, the cumulative voting method must be adopted;

(2) when the cumulative voting method is adopted, each share held by a shareholder has equal voting rights in relation to the number of candidates for election as directors;

(3) the notice of meeting must inform shareholders that the cumulative voting system will be adopted for the resolutions for the election of directors. The persons convening the meeting must prepare ballots suitable for the implementation of the cumulative voting method, and a written explanation of the cumulative voting method, instructions for filling in ballots and the method of counting votes must be provided;

(4) when the shareholders general meeting is voting on the resolutions for the election of directors, shareholders may divide their voting rights, and vote a proportional number of the shares held for each of the candidates for election as director. Alternatively, shareholders may concentrate their voting rights, and vote all of the voting rights represented by the shares held in favour on one particular candidate for election as director, or vote part of the voting rights represented by the shares held in favour of a certain number of the candidates for election as director;

Table of Contents

(5) after a shareholder has concentrated the voting rights represented by all of the shares held by him on one or a certain number of candidates for director, he may not exercise his voting rights again in respect of other candidates for director;

(6) if the total number of votes exercised by a shareholder concentrating his voting rights on one or a certain number of candidates for director exceeds the total number of voting rights represented by the shares held by that shareholder, that shareholder s vote is invalid, and will be deemed to be an abstention. If the total number of votes exercised by a shareholder concentrating his voting rights on one or a certain number of candidates for director is less than the total number of voting rights represented by the shares held by that shareholder, that shareholder s vote is valid, and those voting rights not exercised will be deemed to be abstentions;

(7) where the total number of votes in favour won by a candidate for director exceeds one-half of the total of number of shares with voting rights represented by shareholders attending the general meeting (based on the non-cumulative number of shares) and the total number of votes in favour exceeds the total number of opposing votes, that candidate will be elected as a director. If the number of directors so elected exceeds the number of positions available for director, then those receiving the most number of votes in favour shall be elected as directors (provided that where those receiving relatively less votes in favour have an equal number of votes in favour, which would cause the number of persons elected to exceed the positions available, then such candidates will be deemed to have not been elected). If an insufficient number of directors are elected at the shareholders general meeting to fill the positions available, then a further vote will be conducted for the remaining positions, until such point as all positions for director have been elected;

(8) where the general meeting holds a new round of election for directors in accordance with the requirements set out in paragraph (7) above, the cumulative votes of the shareholders shall be re-calculated based on the number of directors elected in each round of election.

(9) Independent directors and other members of the board of directors are elected separately.

Article 122 Subject to compliance with all relevant laws and administrative regulations, the shareholders general meeting may by ordinary resolution remove any director whose term of office has not expired (however this will not prejudice any request for compensation which may be raised pursuant to any contract).

Article 123 Directors may resign prior to the expiration of their term of office. A director may resign by submitting written notice of his resignation to the board of directors, and an independent director must in addition provide explanations of any matters related to his resignation or which he believes should be brought to the attention of shareholders and creditors of the Company.

Subject to Article 124 of these Articles of Association, a director s resignation shall be effected when the written notice of resignation is received by the board of directors. The board of directors shall disclose such resignation within 2 days of receipt of the written notice.

Article 124 If the resignation of a director would lead the board of directors of the Company to have less than the legally required number of directors, then such director s notice of resignation will only become effective after a new director has been appointed to fill the vacancy so caused by his resignation. The remaining members of the board of directors must forthwith convene an extraordinary meeting of shareholders in order to appoint a director to fill the vacancy caused by the resignation. Prior to the shareholders general meeting resolution to elect the director, the resigning director and remaining directors powers should be reasonably restricted.

Table of Contents

If the resignation of an independent director would lead the board of directors of the Company to have less than the minimum proportion of independent directors required by these Articles, then such independent director should continue to perform his/her duties in compliance with the requirements of the law, administrative regulations and the Articles until the commencement of the term of an elected replacement. The board of directors should convene a shareholders general meeting to elect a new independent director within two months. If a shareholders general meeting is not convened within the prescribed period, such independent director does not have to perform the duties thereafter.

Article 125 The board of directors shall be responsible to the shareholders general meeting and shall exercise the following powers:

(1) to be responsible for convening shareholders general meetings and reporting on its work to the shareholders general meeting;

(2) to implement the resolutions of the shareholders general meetings;

(3) to decide on the Company s business plans and investment proposals;

(4) to formulate the Company s proposed annual financial budgets and final accounts;

(5) to formulate the Company s profit distribution plans and plans for recovery of losses;

(6) to formulate the Company s financial strategy, proposals for the increase in or reduction of the Company s registered capital and the issue of any kind of securities (but not limited to corporate bonds) and plans for their listing or the repurchase of the shares of the Company;

(7) to draft plans for major acquisitions or disposals, and for the merger, division, dissolution or changing of the form of the Company;

(8) to formulate the proposal for amendments to the Articles of Association;

(9) to decide on matters relating to foreign investment, purchase or sale of assets, mortgage of assets, entrusted asset management and connected transactions by the Company within the scope of authority conferred by the shareholders general meeting;

(10) to decide on issues relating to the provision of guarantee in favour of a third party within the scope of authority conferred by the shareholders general meeting;

(11) to appoint or dismiss the Company s general manager, and pursuant to the general manager s nomination, to appoint or dismiss deputy general manager and financial officers of the Company; to appoint or dismiss the company secretary; and to decide on their remuneration;

(12) to appoint or change the members of the boards of directors and supervisory committees of the Company s wholly-owned subsidiaries, to appoint, change or recommend shareholder representatives, directors (or candidates) and supervisors (or candidates) to the Company s controlled subsidiaries or subsidiaries in which the Company holds shares;

Table of Contents

(13) to decide on the establishment of the Company s internal management structure;

(14) to decide on the establishment of branch entities of the Company;

(15) to formulate the Company s basic management system;

(16) to administer the disclosure of information by the Company;

(17) to submit nominations for the appointment or change of accounting firms as the auditors of the Company to the shareholders general meeting;

(18) to review the work reports of the general manager and monitor the work of the general manager;

(19) to develop and review the Company s policies and practices on corporate governance;

(20) to review and monitor the training and continuous professional development of directors and senior management of the Company;

(21) to review and monitor the Company s policies and practices on compliance with legal and regulatory requirements;

(22) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors of the Company;

(23) to decide other major matters and administrative matters not required by laws, administrative regulations or these Articles to be decided by the shareholders general meeting, and to sign other major agreements; and

(24) to exercise other powers as stipulated by laws, administrative regulations, the rules and regulations of authorized departments or these Articles or as authorized by shareholders general meeting.

Save and except for the matters in sub-paragraphs (6), (7), (8) above which require the consent of two-thirds or more of all the directors, all the other matters may be approved upon resolution by a majority of all the directors (in which the matter as forth in sub-paragraph (10) is still subject to approval upon resolution by two-thirds or more of all the directors).

Article 126 Where the board of directors are in unanimous agreement, the powers of the board of directors set out in the previous Article may be delegated to one or more directors, however matters relating to the major interests of the Company should be decided by the entire board of directors. The scope of delegation by the board of directors must be clear and specific.

Article 127 Major connected transactions of the Company as well as the appointment or removal of auditors shall require the approval by more than one half of the independent directors before presenting to the board of directors for discussion. The proposal to convene an extraordinary general meeting of shareholders by independent directors to the board of directors, the proposal to convene a meeting of the board of directors and the solicitation of proxies from shareholders publicly prior to the shareholders general meeting shall require approval by more than one half of independent directors. Subject to the approval by all independent directors, the independent directors may independently appoint external auditors and consultants to conduct auditing and consultation on specific issues and the relevant costs shall be borne by the Company.

Table of Contents

Article 128 Other than the powers set out in the previous Article, independent directors should also express their independent opinion on the following major matters to the board of directors or shareholders general meeting:

(1) nomination or removal of directors;

(2) appointment or removal of Senior Management;

(3) the remuneration of directors and Senior Management;

(4) existing or new loans or other financial transaction between the Company and its shareholders, actual controlling persons or related enterprises which equal to or exceed the recognised standards of major connected transactions that must be approved by the board of directors or shareholders general meeting (as determined by the standards promulgated from time to time by the authorized regulatory bodies), and whether the Company has taken effective measure to be repaid amounts owing;

(5) matters which the independent directors believe may harm the rights and interests of minority shareholders;

(6) any other matters on which the independent directors are required to express an independent opinion pursuant to the laws, regulations, listing rules and other rules of the places where the shares of the Company are listed.

In relation to the above matters, independent directors should express one of the following opinions: (1) agree; (2) qualified opinion and reasons therefore; (3) oppose and reasons therefore; (4) unable to form an opinion and impediments to doing so.

If the matter is a matter requiring disclosure, the Company must announce the opinions of the independent directors. Where the independent directors are divided and are not able to provide a unanimous opinion, the board of directors should separately disclose the opinions of each independent director.

Article 129 The independent directors shall attend the meeting of the board of directors regularly in order to understand the production and operation of the Company, initiate investigation, and obtain the situation and information necessary for making decisions. An annual report from all independent directors describing the situations regarding the performance of their duties shall be submitted by the independent directors to the annual general meeting of the Company.

Article 130 The Company shall establish a system governing the work of independent directors. The secretary to the board of directors shall take the initiative to assist the independent directors for the performance of their duties. The Company shall provide independent directors with working conditions necessary for the performance of their duties, ensure independent directors have the rights to be informed same as that of other directors, and provide independent directors with relevant materials and information in a timely manner. The Company shall also provide regular reports on its operations and organize on-site visits for independent directors when necessary.

Article 131 The board of directors must explain to the shareholders general meeting when a registered accountancy firm issues a non-standard audit opinion in respect of the Company s financial statements.

Article 132 The board of directors shall formulate Rules of Procedure for Board of Directors Meetings , in order to ensure the effective working and scientific policy-making of the board of directors.

Table of Contents

Article 133 When the board of directors makes a decision regarding the entering of new markets, mergers and acquisitions or investments in new fields, where the amount of investment or assets being acquired exceed ten per cent. (10%) of the Company s total assets, a consultancy body should be appointed to provide an expert opinion, as a major basis of the board of directors decision.

The Rules of Procedure for Shareholders General Meetings and Rules of Procedures for Board of Directors Meetings shall set out regulations for the limitations on the power of the board of directors to approve the investments in third parties, acquisition and disposal of assets, mortgage of assets, provision of guarantee to third parties, entrusted assets management, connected transactions and other related matters. The board of directors shall establish strict review and approval procedures for the above matters.

For major investment projects exceeding the board of directors approval limits, the board of directors must organise relevant experts and specialists to assess the projects, and report to the shareholders general meeting for approval.

Article 134 The board of directors, in disposing of the Company s fixed assets, shall not without the prior approval of the shareholders in general meeting, dispose of or agree to dispose of any fixed assets of the Company where the aggregate of the expected value or amount of consideration for the proposed disposition and any fixed assets of the Company which have been disposed of in the period of four (4) months immediately preceding the proposed disposition exceeds thirty-three per cent. (33%) of the value of the Company s fixed assets as shown in the last balance sheet submitted to the shareholders in shareholders general meeting.

For the purpose of this Article, a disposition includes an act involving some transfer of an interest in assets other than by way of security.

The validity of a disposition by the Company shall not be affected by a breach of the first paragraph of this Article.

Article 135 The chairman of the board of directors shall exercise the following powers:

(1) to preside over shareholders general meetings and convene and preside over meetings of the board of directors;

(2) to organise the implementation of the responsibilities of the board of directors, and to supervise the implementation of board resolutions;

(3) to sign the Company s securities;

(4) to sign major documents of the board of directors and other documents which require signature by the legal representative of the Company;

(5) to exercise the powers of the legal representative;

(6) in the case of major natural disaster or other circumstances of force majeure, to exercise special management of matters of the Company in accordance with laws, regulations, and the interests of the Company, and subsequently to report to the board of directors and shareholders general meeting;

(7) to exercise other powers as authorized by the board of directors.

The vice-chairman of the board of directors shall assist the chairman of the board of directors with his or her duties. When the chairman is unable to, or does not, perform his or her duties, the vice-chairman of the board of directors shall perform the said duties (and if the Company has two or more vice-chairmen of the board of directors, the vice-chairman of the board of directors jointly elected by half or more of the total number of the directors shall perform the said duties). When the vice-chairman of the board of directors is unable to, or does not, perform his/her duties, a director jointly elected by half or more of the total number of the Directors shall perform the said duties.

Table of Contents

Article 136 Meetings of the board of directors shall be convened at least four times per year by the chairman. Notice of meeting shall be given to all the directors at least fourteen(14) days prior to the meeting.

Article 137 In any one of the following circumstances, the chairman should convene and chair an extraordinary meeting of the board of directors within ten working days:

(1) shareholders representing not less than one-tenth of the voting rights requisition a meeting;

(2) not less than one-third of the directors together requisition a meeting;

(3) not less than one-half of the independent directors together requisition a meeting;

(4) the supervisory committee requisitions a meeting;

Where the chairman cannot convene an extraordinary meeting of the board of directors for special reasons, the chairman shall appoint the vice-chairman or other director to convene the meeting. Where the chairman fails to convene the meeting without cause and fails to appoint any person to convene the meeting on his behalf, a director may be nominated by the vice-chairman or half or more of the total number of all directors to convene the meeting.

Article 138 Notice of meeting of the board of directors shall be given in the following manner:

(1) regular meetings of the board may be held without notice if the time and place of such meetings have been fixed in advance by the board;

(2) notice of the time and place of meetings of the board, for which a time and place have not otherwise been fixed in advance by the board, shall be given by the chairman to the directors by telex, telegram, telefax, courier, registered airmail or personal delivery not less than ten (10) days in advance;

(3) notices shall be given in the Chinese language. An English version may be attached if necessary. The agenda shall also be given. Any of the directors may waive his right to receive notice of board meeting;

(4) any director may waive his rights to receive notice of board meeting.

Article 139 Notice of meeting of the board of directors shall include the following:

(1) the time and place of the meeting;

(2) the duration of the meeting;

(3) the agenda of the meeting, particulars of the resolutions to be considered at the meeting and any documents or information relevant to the board meeting;

(4) the date of the notice.

Notice is deemed to be given to any director who attends the meeting without objecting, before or at its commencement, for not receiving any notice.

Table of Contents

Article 140 The quorum for a meeting of the board of directors is a majority of all members of the board (including directors who appoint other directors as proxies). Each member of the board shall have one vote. Any board resolution shall be passed by more than half of all the directors. When there is a tie, the chairman of the board shall have a casting vote.

All resolutions passed by the executive directors committee shall be passed by two-thirds of all the executive directors attending the meeting. Regular meetings of the executive directors committee shall be convened by the chairman or the executive director appointed by the chairman. The resolutions of such meeting shall be circulated to all directors for the purpose of managing workflow.

Article 141 The directors should attend board meetings in person. Should any directors be unable to attend the meeting, he may authorize another director by a way of a written instrument of proxy to attend on his behalf. Should any independent director be unable to attend the meeting, he may authorize another independent director by way of a proxy form to attend on his behalf. The proxy form shall set out the name of the proxy, the matter the appointment relates to, scope of authority and should be signed or sealed by the appointer.

Any director acting as a proxy shall exercise the right of the appointment director within the scope of authority as set out in the proxy form. In the event that no proxy is appointed by the absent director to attend a board meeting, the absent director shall be deemed to have waived his right to vote at such a meeting.

Article 142 If an independent director fails to attend three consecutive board meetings in person, the board of directors shall propose at the shareholders general meeting to remove that independent director. Before the expiry of his term of office, an independent director shall not be removed from his/her office without a legitimate cause. Where an independent director is removed from his/her office before the expiry of his/her term, the Company shall make special disclosure of the termination of his/her office. The independent director being removed may make a public declaration if he/she believes that he/she has been removed improperly.

Other directors shall be deemed as failing to carry out their duties if they fail to attend two consecutive board meetings in person and to appoint an alternate director to attend board meetings on their behalf. The board of directors shall propose at the shareholders meeting for the removal of such directors.

Article 143 Expenses incurred by the directors in attending board meetings shall be paid by the Company. Such expenses shall include transportation costs from the place where the director is located to the place of the meeting and the cost of accommodation and meals during the period the meeting is held. Incidental expenses, such as the rent of the place of the meeting and local transportation, shall also be borne by the Company.

Article 144 A written resolution may be adopted by the board of directors if such resolution has been sent to all the directors and affirmatively signed by the number of directors which would form the quorum required to pass such a resolution. Such written resolution shall become a directors resolution in lieu of a board meeting, provided that such written resolution is sent to the secretary of the board of directors.

Article 145 The minutes of the board resolutions discussed in the board meetings shall be recorded in the Chinese language.

The board minutes shall include the following:

(1) date, time, the name of the convener and the chairman;

(2) name of the directors, the person preparing the proxy and the proxy attending;

Table of Contents

(3) agenda of the meeting;

(4) the key points of the directors views as expressed at the meeting (in the case of a written resolution, the key views of the directors set out in writing);

(5) the opinion of the independent directors and whether such opinion is consistent with that of the directors;

(6) the mechanism and results of voting for each resolution (the results shall include the number of votes cast for and against the resolution and the number of votes that abstained;

(7) the signature of the directors.

The opinions of the independent directors expressed shall be stated in the board resolution. The minutes of the board meeting shall be given to all directors as soon as practicable. Directors who wish to amend or supplement the minutes shall submit a written report setting out his comments to the chairman of the board within one week of this receipt of the draft minutes circulated. Once the board minutes have been finalised, all attending directors, the Secretary and the person recording such minutes shall sign the board minutes. The board minutes shall be kept in the Company s office in PRC and a complete copy of the minutes shall be provided to each director.

Article 146 The board of directors shall be responsible for the resolutions passed. If any of the board resolution violates the laws, administrative regulations or the Articles of Association, resolutions of the shareholders general meeting and causes serious damage to the Company, such directors who voted in favour of such resolution shall be liable to the Company. Any director who abstained from voting or who neither attended in person nor appointed a proxy to attend the meeting shall not be exempted from liability. Any director who had objected to the resolution during discussions in the board meetings but did not vote against such resolution shall not be exempted from liability. Any directors who voted against such resolution and whose voting was recorded in the minutes of the board meeting shall be exempted from such liability.

CHAPTER 11 COMPANY SECRETARY

Article 147 The Company shall have a secretary of the board of directors (the Secretary) who shall be a senior officer of the Company. The board of directors may set up a company secretarial working committee should the need arise.

Article 148 A director or senior officer of the Company may be appointed to act as the Secretary. The accountants of the accounting firm and lawyers of the law firm employed by the Company shall not be appointed to act as the Secretary.

Where the Secretary is also a director of the Company and an act is required to be done by that director and the Secretary separately, a person who is both the Secretary and the director may not perform the act in both capacities.

Article 149 The Secretary shall be a natural person having the requisite professional knowledge and experience and shall be nominated by the Chairman of the board and appointed or removed by the board of directors.

Article 150 The main responsibilities of the Secretary are:

(1) to assist directors in performing the day-to-day functions of the board of directors; continuously provide, remind and ensure that directors understand the requirements of local and overseas regulatory bodies on the Company s operations, policies and requirements; assist directors and general manager to exercise their powers in accordance with the local and overseas laws and regulations, the Company s Articles and other relevant rules;

Table of Contents

(2) to be responsible for organizing and preparing documents for board meetings and shareholders meeting; preparing minutes, ensuring that resolutions are passed in accordance with procedures required by law and be informed about the implementation of the board resolutions;

(3) to be responsible for organizing and coordinating the Company s disclosure, ensuring a timely, accurate, legal, true and fair disclosure of information relating to the Company; maintaining investor relations and enhancing the Company s transparency;

(4) to participate and coordinate fund raising in the capital markets;

(5) to maintain relationships with market intermediaries, regulatory bodies, media and maintaining public relations.

Article 151 The scope of the Secretary s duties includes the following:

(1) coordinate and organize board meetings and shareholders meetings, prepare the relevant materials for the meeting, arrange matters relating to the meeting, responsible for keeping minutes of the meetings, ensuring the accuracy of the minutes, keeping documents and minutes of the meeting, actively informing himself of the implementation of resolutions; reporting and providing recommendations to the board of directors on material matters that are being implemented;

(2) ensure that material decisions of the board of directors are performed strictly in accordance with the relevant requirements. Upon the request of the board of directors, participate in the consultation and analysis of the matters before the board of directors and offer his opinion and make recommendations accordingly; be authorized to perform the day-to-day functions of the board of directors and other committees;

(3) act as the Company s contact person with securities regulatory bodies, responsible for organizing, preparing and submitting documents required by such regulatory bodies, responsible for accepting, organizing and completing tasks delegated by such regulatory bodies; ensuring that the Company prepares and submits to the authorized bodies reports and documents required by such bodies in accordance with the law;

(4) responsible for coordinating and arranging for the disclosure of the Company, putting in place an appropriate disclosure mechanism, participating in all meetings relating to information disclosure, be made aware of the Company s material operating decisions and all related information;

(5) responsible for keeping in confidence any price sensitive information of the Company, and put in place effective rules and systems for maintaining confidentiality of information. Where price sensitive information of the Company has been revealed to the public, take all necessary actions to rectify, explain and clarify and notify the overseas securities regulatory body of the place in which the Company is listed and the China Securities Regulatory Commission;

(6) responsible for coordinating market publicity, reception of visitors, manage investor relations, maintain relationships with investors, market intermediaries and the mass media; responsible for ensuring that enquiries of the public are addressed, ensuring that investors receive information disclosed by the Company on a timely basis; organise and prepare publicity campaigns of the Company locally and overseas, preparing reports summarizing market publicity and material visits and arrange to report any related matters to the China Securities Regulatory Commission;

Table of Contents

(7) ensuring that the Company s register of members is properly set up, responsible for maintaining and keeping the register of members, register of directors, information relating to shareholdings of substantial shareholders and directors, and a list of holders of debentures issued by the Company;

(8) assisting directors and general manager to exercise their powers in accordance with local and overseas laws and regulations, the Company Articles and other requirements, and provide them with relevant information (including, but not limited to, providing newly appointed directors with all latest information published by the Company regarding corporate governance). When the Secretary is aware that the Company has made or may possibly pass resolutions that are in breach of the relevant requirements, he has an obligation to duly remind and report such breach to the China Securities Regulatory Commission and other regulatory bodies;

(9) coordinate the provision of necessary information to the Company s supervisory committee and other audit committees to enable them to perform their supervisory functions, and assist the investigation of the integrity of the Company s financial controller, directors and general manager;

(10) ensuring that the Company has a complete set of documents and minutes, such that persons who have the right to access to these documents and minutes can have timely access to such documents and minutes;

(11) perform other duties delegated by the board of directors and the other duties required by any stock exchange on which the Company is listed.

Article 152 The Secretary shall guide or assist the Company to comply with any relevant laws of the PRC and of any place in which the shares of the Company are listed and with the rules and regulations of any securities regulatory bodies of the place in which the shares of the Company are listed.

CHAPTER 12 GENERAL MANAGER OF THE COMPANY

Article 153 The Company shall have a general manager who shall be nominated by the Chairman of the board and appointed or removed by the board of directors.

Upon authorization by the board of directors, the general manager shall have the full right to manage the business of the Company and deal with the internal and external matters of the Company.

Directors can also be employed as the general manager, deputy general manager or any other senior management personnel but directors holding such offices shall not exceed one half of all the directors of the Company.

Article 154 The general manager is responsible to the board of directors and shall exercise the following powers:

(1) to be in charge of the Company s production, operation and management of the Company and organise the implementation of the resolutions of the board;

Table of Contents

(2) to organise the implementation of the Company s annual business plan and investment plan;

(3) to formulate the proposal for the internal management structure;

(4) to formulate the setting up of the Company s branch entities;

(5) to formulate the basic management system;

(6) to formulate the basic rules and regulations of the Company;

(7) to propose the appointment and dismissal of the deputy general manager and financial officers;

(8) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors;

(9) to decide on the salaries, awards or punishment, appointment, dismissal or removal of the staff and workers of the Company;

(10) to propose the convening of interim board meetings;

(11) to exercise other powers conferred by the Company Articles and the board of directors.

Article 155 A general manager who is not a director may attend board meetings and has the right to receive notices of meeting. A general manager who is not a director does not have the right to vote at board of directors meetings.

Article 156 The general manager shall report to board of directors or supervisory committee material contracts entered into by the Company, the implementation of these contracts, the use of funds and profitability of the business. The general manager shall warrant the accuracy of such report.

Article 157 The general manager shall consider the opinions of unions and workers representatives committees before making decisions relating to wages, benefits, work safety, work and workers insurance, termination of employment (or dismissal) and other employee-related matters.

Article 158 The general manager shall issue the General Manager Guidelines and seek approval from the board of directors before implementation.

Article 159 The General Manager Guidelines shall include the following:

(1) the requirements, procedures and attendees of a general manager meeting;

(2) the duties and division of responsibility between general manager, deputy manager and other senior management personnel;

(3) the usage of the Company s funds and assets, the limits of his authority to enter into material contracts, and the mechanism of reporting to the board of directors and supervisory committees;

(4) other necessary matters as the board of directors shall see fit.

Article 160 In exercising their powers, the general manager, the deputy general manager and the financial controller shall not alter the resolutions passed by the shareholders at general meetings or by the board of directors or exceed their authority.

Table of Contents

Article 161 In exercising their powers, the general manager, the deputy general manager and the financial controller shall comply with law, administrative regulations and the Company Articles and act honestly and diligently.

Article 162 The general manager, deputy general manager, financial controller and other senior management personnel shall give notice of their resignation to the board of directors in accordance with the provisions of their respective service contracts and shall follow the various procedures and requirements as provided for in such service contracts.

CHAPTER 13 SUPERVISORY COMMITTEE

Article 163 The Company shall have a supervisory committee.

Article 164 The supervisory committee shall consist of seven (7) supervisors, including four (4) supervisors who are not employee representatives (including supervisor who are qualified to act as external supervisors) and three (3) supervisors representing the employees. Supervisors who are not employee representatives shall be elected and removed from office by the shareholders in general meeting. The supervisors representing the employees shall be democratically elected and removed from office by the employees.

The supervisory committee shall have one chairman who shall be a supervisor. The term of office for a supervisor is three (3) years and the supervisor is eligible for re-election at the expiration of the term.

The election or removal of the chairman of the supervisory committee shall be decided by two-thirds or more of the members of the supervisory committee. The chairman of the supervisory committee shall co-ordinate the performance of the committee s duties. Where the chairman of the supervisory committee cannot perform his duties, half or more of the members of the supervisory committee shall appoint a supervisor to exercise the chairman s powers on behalf of the chairman.

Article 165 The supervisory committee shall set up a operations committee, according to its needs, to manage the supervisory committee s day-to-day operations.

Article 166 The directors, the general manager, the deputy general manager, financial officers and the Secretary of the Company shall not act as supervisors concurrently.

Article 167 The list of candidates for election as supervisors who are not employee representatives shall be placed as a resolution before a general meeting of shareholders.

Candidates for election as supervisors who are not employee representatives (other than the candidates for election as independent supervisors) may be nominated by the board of directors, supervisory committee, and shareholders individually or together holding three per cent. (3%) or more of the total voting shares of the Company, and shall be elected at the shareholders general meetings.

Amongst candidates for election as supervisors who are not employee representatives, the candidates for election as independent supervisors may be nominated by the board of directors, supervisory committee and shareholders individually or together holding one per cent. (1%) or more of the total voting shares of the Company, and shall be elected at the shareholders general meeting.

Table of Contents

Article 168 The following procedure must be followed when electing supervisors who are not employee representatives:

(1) Before nominating a candidate for election as a supervisor who is not an employee representative, the nominator should first obtain the consent of the nominee, and fully understand the nominee s qualifications, education, profession, detailed working experience and other positions held, and the said nominator is responsible for providing such written materials to the Company. The candidate shall provide a written undertaking to the Company, agree to accept the nomination, undertake that the publicly disclosed materials relating to the candidate are true and complete and guarantee that following election they will practically carry out the responsibilities of a supervisor.

(2) If the nomination of a candidate for election as a supervisor who is not an employee representative occurs before the Company holds a meeting of the board of directors, then the written materials regarding the nominee set out in paragraph (1) of this Article shall be published in the same announcement as that containing the resolutions of the board of directors or the resolutions of the supervisory committee or the corresponding notice of a shareholders general meeting.

(3) If a shareholder who has the nomination power proposes to a shareholders general meeting a candidate for the election as a supervisor who is not an employee representative, then a written notice of the intention of such person nominating the candidate and the willingness of the nominee to accept the nomination, together with the written materials and undertakings relating to the nominee set out in paragraph (1) of this Article, shall be delivered to the Company ten (10) days prior to the date of the shareholders general meeting.

Article 169 The Supervisory Committee shall propose at a shareholders meeting or trade union representatives meeting for the removal of a supervisor who, without reasons, fails to attend in person two consecutive supervisory committee meetings and fails to nominate another supervisor to act on his behalf.

A supervisor may resign before the termination of his office, and the provisions set out in Chapter 10 in relation to the resignation of directors shall be applicable to supervisors.

Article 170 Supervisory committee meetings shall be held at least four times each year, and the Chairman of the supervisory committee shall be responsible for convening such meeting.

All supervisors shall be given 10 days notice of the supervisory committee meeting, such notice shall be given by electronic means, fax, express post, registered post or in person. Such notice shall also include the date of the meeting, the place and duration of the meeting, the agenda and resolutions to be passed and the date of the notice. If an extraordinary supervisory committee meeting is proposed to be convened, all supervisors shall be given three days verbal or written notice of the meeting.

Article 171 The supervisory committee shall report to shareholders general meetings and shall have the following powers:

(1) to inspect the Company s financial situation;

(2) to supervise the directors and senior officers in relation to their performance of duties of the Company and to propose removal of a director or a senior officer who has contravened any law, administrative regulation, these Articles of Association or resolutions passed at a general meeting of shareholders;

(3) to require the directors, the general manager, deputy general manager, financial controller and secretary of the Company to rectify their behaviour when their conduct is harmful to the interest of the Company and to report to the shareholders general meeting or the relevant competent authority of the State if necessary;

Table of Contents

(4) to verify the financial reports, business reports, profit distribution proposal and other financial information proposed to be submitted to shareholders general meetings and in the case of doubt, may request public accountants or auditors in the name of the Company to assist reviewing the same; to review periodic reports of the Company prepared by the board of directors and to furnish written review opinions,

(5) to make recommendations in relation to the appointment of accountant;

(6) to propose extraordinary resolutions at the annual shareholders meeting.

(7) to requisite for convening extraordinary shareholders meetings, and to convene and preside over the shareholders general meetings when the board of directors fail to do so in accordance with the Company Law;

(8) to requisite for convening interim board meetings;

(9) to initiate proceedings against a director and senior officer in accordance with section 152 of the Company Law;

(10) to conduct investigation into any identified irregularities in the Company s operations, and where necessary, to engage accountants, legal advisers or other professionals to assist in the investigation; and

(11) to exercise other powers specified by the laws, administrative regulations, in the Articles of Association and as authorized by the shareholders meeting.

The supervisors may attend board meetings as non-voting attendees, and to make enquiries or give recommendations about the resolutions of the board of directors.

Article 172 Unless otherwise required by the Articles of Association, the supervisory committee shall resolve by way of passing a resolution with the affirmative votes of two-thirds or more of the members of the supervisory committee.

Article 173 Minutes shall be kept for all supervisory committee meetings. All supervisors attending the meeting and the person recording the minutes shall sign on the minutes of the supervisory meeting. Supervisors have the right to make, in the minutes, certain clarifications of the opinions they expressed at the supervisory committee meeting. Minutes of the supervisory committee meeting shall be permanently kept by the Company.

Article 174 Any reasonable expenses incurred by the supervisory committee in employing professionals such as lawyers, public accountants or auditors in the exercise of its authority shall be assumed by the Company.

Article 175 A supervisor shall act honestly in discharging his supervisory responsibilities in accordance with law, administrative regulations and the Company Articles.

Table of Contents

CHAPTER 14 QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, SUPERVISORS AND SENIOR OFFICERS OF THE COMPANY

Article 176 A person shall be disqualified form being a director, a supervisor or a senior officer of the Company if any of the following applies:

(1) the individual has no civil capacity or his civil capacity is restricted;

(2) a period of less than five (5) years has elapsed since the person was released after serving the full term of a sentence of corruption, bribery, expropriation of assets, misappropriation of assets or social and economic disorder or since the deprival of political rights on the person due to a criminal conviction;

(3) a period of less than three (3) years has elapsed since a company or an enterprise in which the person was a director, factory supervisor or a manager was wound up due to mismanagement and such person was held personally liable to the winding up of the company or the enterprise;

(4) a period of less than three (3) years has elapsed since the revocation of the licence of a company or an enterprise for illegal business operations under circumstances where the person was the legal representative of such company or enterprise and was held personally liable to the illegal business operations of the company or the enterprise;

(5) the person has a debt of a material amount which has not been repaid or cleared when due;

(6) a civil servant;

(7) the person has committed criminal offence and is subject to investigation by judicial authorities and the case has yet to be settled;

(8) provisions of law or administrative regulations stipulates that the person is not permitted to assume the position of a leader of an enterprise;

(9) the person not being a natural person;

(10) a period of less than five (5) years has elapsed since the date when the person was convicted of offences involving fraud or dishonesty and was considered by the relevant authorities to have violated relevant securities regulations;

(11) persons who have been identified as being prohibited from participating in the markets by the China Securities Regulatory Commission and where such prohibitions are still in force.

(12) other particulars as provided for by the laws, administrative laws and regulations or departmental rules and regulations.

If the election or appointment of a director, supervisor or senior officer is taken place in contravention of this Article, the said election, appointment or engagement shall be invalid. If a director, supervisor or senior officer falls into any of the circumstances set forth in the first paragraph of this Article during his term of office, the Company shall relieve him of his duties.

Article 177 The following persons cannot act as independent directors of the Company:

(1) immediate family members and main social contacts employees (immediate family members includes spouse, parents, children; main social contacts includes brothers and sisters, father or mother-in-laws, son or daughter-in-law, brothers and sisters of the spouse) of persons employed by the Company or its associated entities;

Table of Contents

(2) persons, or immediate family members of persons who directly or indirectly hold 1% or more of the issued share capital of the Company or are the top 10 natural persons with the highest shareholdings in the Company, or if a person obtained his shareholdings from a connected person by way of gift or other forms of financial assistance;

(3) shareholders who directly or indirectly hold 5% or more of the issued share capital of the Company, or persons or their immediate family members who are employed by the top five shareholders of the Company;

(4) persons to whom any of the above three conditions applied within the past one (1) year;

(5) persons who provide financial, legal, consultation or other services to the Company or its associated entities;

(6) persons who are already acting as independent directors for five other listed companies;

(7) any other persons as designated by the China Securities Regulatory Commission.

Article 178 The validity of an act of a director or senior officer of the Company on behalf of the Company is not, vis-a-vis a bone fide third party, affected by any irregularity in his election or appointment or any defect in his qualification.

Article 179 Directors, supervisors and senior officers of the Company cannot act on behalf of the Company or the board of directors, without being legally authorized by the Articles of Association or by the board of directors. Where such persons act on their own behalf but a third party may reasonably assume such persons to be acting on behalf of the Company, such persons shall state their own positions and identities.

Article 180 In addition to obligations imposed by law or administrative regulations or required by the stock exchanges on which shares of the Company are listed, each director, supervisor or senior officer of the Company owes the following duties to each shareholder, in the exercise of the powers of the Company entrusted to him:

(1) not to cause the Company to exceed the scope of business stipulated in its business licence;

(2) to act honestly in what he considers to be in the best interests of the Company;

(3) not to expropriate in any guise the Company s assets, including without limitation, not to usurp the Company s opportunities;

(4) not to expropriate the individual rights of shareholders, including without limitation, rights to distribution and voting rights, save and except pursuant to a restructuring submitted to shareholders for approval in accordance with these Articles.

Article 181 Each director, supervisor or senior officer of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The duty of diligence to be discharged by directors, supervisors and senior officers includes but not limited to:

(1) to exercise the rights conferred upon them in a prudent, serious and diligent manner so as to ensure that the commercial activities carried out by the Company are in compliance with the laws and administrative regulations, as well as the requirements of various economic policies of the State and falls within the scope of business provided for in the business license;

Table of Contents

(2) to treat all shareholders equally;

(3) to keep informed of the business operation and management of the Company in a timely manner;

(4) to sign a written confirmation or opinion in connection with the regular reports of the Company and to ensure that the information disclosed by the Company is true, accurate and complete;

(5) to inform the supervisory committee of the relevant circumstances and information that is in accordance with the facts, and shall not impede the supervisory committee or a supervisor from exercising their powers; and

(6) to perform other duties of diligence as required by the laws, administrative regulations, rules and regulations of authorized departments and these Articles of Association.

Article 182 A director, supervisor and senior officer of the Company, in the exercise of the powers of the Company entrusted to him, must observe the fiduciary principle and shall not place himself in a position where his duty and his interest may be in conflict with the same. The principle includes without limitation a duty:

(1) to act honestly in what he considers to be in the best interests of the Company;

(2) to exercise the powers within his authority and not to exceed the relevant authority;

(3) to exercise the discretion vested in him personally and not to allow himself to act under the direction of another and, unless and to the extent permitted by laws, administrative regulations or the informed consent of shareholders in general meeting, not to delegate the exercise of his discretion;

(4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(5) except in accordance with these Articles or with the informed consent of shareholders in shareholders general meeting, not to enter into a contract, transaction or arrangement with the Company;

(6) without the informed consent of shareholders in general meetings, not to use the Company s assets for his own benefit in any form;

(7) not to accept bribery or other illegal income and not to expropriate in any guise the Company s assets including without limitation, not to usurp the Company s opportunities;

(8) without the informed consent of shareholders in general meeting, not to accept commissions in connection with the Company s transactions;

(9) to comply with the Articles of Association and act honestly in exercising his powers and discharging his functions and act in the best interest of the Company and not to use his position and power to make profits for himself;

Table of Contents

(10) without the informed consent of shareholders in general meeting, not to compete with the Company;

(11) not to expropriate funds of the Company or to lend the capital of the Company to others and not to expropriate the Company s assets and deposit the same in his own name or another s name and not to use the Company s assets to provide security for any of the indebtedness of a shareholder of the Company or other person;

(12) unless otherwise permitted by the informed consent of shareholders in general meeting, to keep in confidence confidential information acquired by him in the course of and during his office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of such information to the court or other governmental authorities is permitted if:

(i) disclosure is made under compulsion of law;

(ii) there is a duty to the public to disclose;

(iii) it is so required for the interest of the director, supervisor or senior officer of the Company.

Any profits derived by a director, supervisor and senior officer in contravention of this Article shall be for the account of the Company. The relevant director, supervisor and senior officer shall be personally liable for any loss suffered by the Company as a result of his contravention of this Article.

Article 183 A director, supervisor or senior officer of the Company shall not cause any of the following persons or authorities (Connected Person) to do what he is prohibited from doing:

(1) the spouse or minor child of that director, supervisor or senior officer;

(2) a person acting in a capacity of a trustee of that director, supervisor or senior officer or any person referred to in sub-paragraph (1) above;

(3) a person acting in a capacity of a partner of that director, supervisor or senior officer or any person referred to in sub-paragraphs (1) and (2) above;

(4) a company in which that director, supervisor or senior officer, alone or jointly with one or more persons referred to in sub-paragraphs (1), (2) and (3) above and other directors, supervisors or senior officers of the Company, has a de facto controlling interest;

(5) a director, supervisor or senior officers of a company referred to in sub-paragraph (4).

Article 184 During their respective term of office, a director, supervisor and senior officer of the Company shall regularly report to the Company their shareholdings in the Company and any changes in such shareholdings, and shall not transfer on an annual basis more than twenty-five per cent. (25%) of the total number of shares held in the Company. The shares held by such director, supervisor and senior officer are non-transferrable within one (1) year from the date on which the shares of the Company are listed and traded. The aforesaid personnel shall not transfer their shares in the Company within six months from the termination date of their employment with the Company. This provision shall not apply to the change in shareholdings due to judicial enforcement, succession, legacy and division of properties according to law.

If the number of shares held by a director, supervisor or senior officer is not more than 1,000 shares, such director, supervisor or senior officer may transfer all of his or her shares in lump sum and shall be free from the restriction on transfer ratio as described in the preceding paragraph.

Table of Contents

Article 185 Where a director, supervisor and senior officer gives notice of this resignation or where his office terminates, the duty of a director, supervisor and senior officer does not necessarily cease when the resignation report has not become effective, or within a reasonable period after it has become effective or within a reasonable period after the termination of his office. The duty of confidence in relation to trade secrets of the Company survives the termination of his office until such trade secrets becomes public information. Other duties may continue for such a period as fairness may require and depending on the time which has elapsed between the termination and the act concerned and the circumstances under which the relationship with the Company is terminated.

Article 186 Directors, supervisors and senior officers of the Company who determine their office before the end of the term shall compensate the loss suffered by the Company as a result of such early termination.

Article 187 A director, supervisor or senior officer shall be personally liable for any loss suffered by the Company as a result of a violation by him of any law, administrative regulation, rules and regulations of authorized departments or these Articles of Association in the course of performing his duties.

Except for the circumstances under Article 56, a director, supervisor or senior officer may be relieved of liability for specific breaches of his duty by the informed consent of shareholders in general meeting.

Article 188 Where a director, supervisor or senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, other than his contract of service, he shall disclose the nature and extent of his interest to the board of directors at the earliest opportunity, whether or not such contract, transaction or arrangement or proposal therefore is otherwise subject to the approval of the board of directors.

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

Unless the interested director, supervisor or senior officer has disclosed his interest in accordance with this Article and the contract, transaction or arrangement has been approved by the board at a meeting in which the interested director is not counted in the quorum and has refrained from voting, such contract transaction or arrangement in which a director, supervisor or senior officer is materially interested in is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the director, supervisor or senior officer concerned.

For the purposes of this Article, a director, supervisor or senior officer is deemed to be interested in a contract, transaction or arrangement in which a Connected Person or Associate of such director, supervisor or senior officer is so interested.

Table of Contents

Article 189 Where a director, supervisor or senior officer of the Company gives to the board of directors a general notice in writing stating that by reason of facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company, that notice shall be deemed for the purposes of this Chapter to be sufficient declaration of his interest, so far as attributable to those facts, in relation to any contract, transaction or arrangement of that description which may subsequently be made by the Company; provided that such a general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

Article 190 The Company shall not in any manner pay taxes for or on behalf of a director, supervisor or senior officer of the Company.

Article 191 The Company shall not directly or indirectly make a loan to a director, supervisor or senior officer or to a director, supervisor or senior officer of its parent company, provide any guarantee in connection with a loan made by any person to such a director, supervisor or senior officer, or make a loan to or provide any guarantee in connection with any loan made by any person to a Connected Person of such a director, supervisor or senior officer.

The following transactions are not subject to the prohibition set out in foregoing paragraph of this Article:

(1) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

(2) the provision of a loan or a guarantee for a loan or other sums by the Company under a service contract with any of its directors, supervisors or senior officers as approved by shareholders in general meeting for meeting expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him properly to perform his duties;

(3) the Company may make a loan to or provide a guarantee for a loan made by another person to any of its directors, supervisors or senior officers or a Connected Person of such director, supervisor or senior officer in the ordinary course of its business on normal commercial terms, where the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

Article 192 A loan made by the Company in breach of the preceding Article shall be forthwith repaid by the recipient of the loan regardless of the terms of the loan.

Article 193 A guarantee provided by the Company in breach of Article 191(1) shall be unenforceable against the Company unless:

(1) the guarantee was provided in connection with a loan to a Connected Person of a director, supervisor or senior officer of the Company or its parent company and at the time the loan was advanced the lender was not aware of the relevant circumstances; or

(2) any collateral provided has been lawfully disposed of by the lender to a bona fide purchaser.

Article 194 For the purposes of the foregoing Articles in this Chapter, a guarantee includes an undertaking by the guarantor or the provision of assets to secure the performance of obligations by the obligor.

Table of Contents

Article 195 In addition to any rights and remedies provided by law and administrative regulations, where a director, supervisor or senior officer is in breach of his duties to the Company, the Company has a right to:

(1) recover from such director, supervisor or senior officer compensation for losses sustained by the Company as a result of such breach;

(2) rescind any contract or transaction entered into by the Company with such director, supervisor or senior officer and any contract or transaction entered into by the Company with a third party where such third party knew or should have known there was such a breach;

(3) request the director, supervisor or senior officer to account for the profits arising from such breach;

(4) recover any monies received by the director, supervisor or senior officer which should have belonged to the Company including without limitation commissions;

(5) request for the return from such director, supervisor or senior officer of the interest earned or which may have been earned on any monies which should have been returned to the Company.

Article 196 The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with each director or supervisor stipulating provisions relating to the rights and obligations of the Company and the director/supervisor, the emoluments of the director/supervisor, the liabilities of the director/supervisor if he commits a breach of the laws, regulations and the Company Articles, and compensation for early termination of the contract. Matters relating to emoluments shall be approved by the shareholders general meeting, including:

(1) emoluments in respect of his service as a director, supervisor or senior officer of a subsidiary of the Company;

(2) emoluments in respect of his service as a director, supervisor or senior officer of a subsidiary of the Company;

(3) emoluments otherwise in connection with the provision of services in connection with the management of the Company or a subsidiary of the Company;

(4) payment by way of compensation for loss of office by a director or supervisor or as consideration for or in connection with his retirement from office or loss of office.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a director or supervisor against the Company for anything due to him in respect of the above matters.

Table of Contents

Article 197 In a contract where a director s or supervisor s emoluments are stipulated, it shall provide that in connection with the takeover of the Company, a payment may be made to a director or a supervisor of the Company by way of compensation for loss of office, or as consideration for his retirement from the office, with the prior informed consent of the shareholders in shareholders general meeting to his receiving such payment. A takeover of the Company refers to one of the following situation:

(1) an offer made to all the shareholders of the Company;

(2) an officer made by any person with a view to the offeror becoming a Controlling Shareholder within the meaning of Article 57.

If the relevant director or supervisor does not comply with the provisions set out in this Article, any sum received by the director or supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer made; any expenses incurred by him in distributing that sum pro rata amongst those persons shall be borne by him and not be paid out of that sum.

CHAPTER 15 ACCOUNTING SYSTEM, ALLOCATION OF PROFITS AND AUDIT

Article 198 The Company shall establish its financial and accounting system in accordance with law and administrative regulations and the accounting standards of the responsible financial authorities of the State Council.

Article 199 The accounting year of the Company shall follow the calendar year, that is, the period from 1 January to 31 December each year shall be counted as one financial year.

The Company shall use Renminbi as the currency for its accounts, and the accounts shall be prepared in the Chinese language.

The Company shall prepare its financial report at the end of each accounting year and such reports shall be verified in accordance with the law.

Article 200 The board of directors shall place before the shareholders at every annual general meeting such financial report as is required by law, administrative regulations or normative provisions promulgated by competent regional government authorities and departments in charge to be prepared by the Company. Such reports shall be examined and verified.

Article 201 Twenty (20) days prior to the convening of the annual general meeting, the Company shall make available the financial report for inspection by shareholders at the Company. Every shareholder of the Company shall have the right to receive the financial report as referred to in this Chapter.

The Company shall send the above mentioned financial report and the directors report at least twenty-one (21) days before the convening of the annual general meeting by prepaid mail to every holder of the listed foreign shares. The address of the recipient shall be the address as registered on the shareholders register.

Article 202 The financial statements of the Company shall be prepared not only in accordance with the PRC accounting standards and regulations but also be prepared in accordance with international accounting standards or the accounting standards of the place where the overseas shares are listed. If there are material differences in the financial statements using different accounting standards, the differences should be set out in the financial statements. In distributing the after-tax profits of the relevant financial year, the after-tax profits shall be the smaller amount in either of the financial statements.

Article 203 Any interim results or financial information disclosed or announced by the Company shall be prepared and presented in accordance with the PRC accounting standards and regulations and shall also be prepared in accordance with the international accounting standards or the accounting standards of the place where the shares are listed.

Table of Contents

Article 204 The Company shall make four announcements of its financial report in each financial year. The quarterly financial reports shall be submitted to a resident office of China Securities Regulatory Commission and a stock exchange and announced within one (1) month after the end of the first three (3) months and the first nine (9) months of the financial year respectively; the half-yearly financial report shall be submitted to a resident office of China Securities Regulatory Commission and a stock exchange and announced within two (2) months after the end of the first six (6) months of the financial year; and the annual financial report shall be submitted to a resident office of China Securities Regulatory Commission and a stock exchange and announced within one hundred and twenty (120) days after the end of the financial year. The annual financial report shall be examined and verified in accordance with law.

Article 205 The Company shall have no accounting ledgers other than the statutory accounting ledgers. The Company s assets shall not be held under any personal account.

Article 206 Where there is any profit that may be distributed to shareholders, the Company shall take steps to implement a profit distribution scheme with the principle of providing reasonable investment return to shareholders as well as ensuring the Company to meet its reasonable capital requirements.

The profit distribution policies of the Company are as follows:

a) The Company shall properly deal with the correlation between the short-term benefits and long-term development of the Company and formulate a reasonable dividend distribution plan each year based on the prevailing operating environment and the capital requirement plan for project investment and after thoroughly considering the benefits of shareholders.

b) The profit distribution policies of the Company shall maintain consistency and stability.

c) The accumulated profits distributed in cash by the Company over the past three years shall represent no less than 30% of the realized average annual distributable profits over the past three years.

d) If the Board of the Company does not make any cash profit distribution proposal, the Company shall disclose the reason(s) in its periodic reports.

Article 207 The after-tax profits of the Company shall be distributed in the following order of priority:

(1) to make up for losses of the previous year;

(2) allocation of 10% to the statutory common reserve;

(3) allocation to the discretionary common reserve; and

(4) payment of dividends.

Where the statutory common reserve of the Company is over 50% of the registered capital of the Company, profits need not be allocated to it.

Where the statutory common reserve of the Company is insufficient to make up the Company s losses in the previous year, the profits of the current year shall be applied to make up the losses before allocations are made from the statutory common reserve.

Table of Contents

The Company may allocate funds from profits after tax for discretionary common reserve, provided that funds have been first allocated for common reserves and shareholders resolution has been passed to approve such allocations.

The Company may distribute profits, after applying its profits towards making up losses, common reserve, in accordance with the proportions of shareholdings except where the Articles of Association stipulate that no profit distributions shall be made in accordance with the shareholding proportion.

Article 208 Before the Company has made up for losses and allocated to the statutory common reserve, no distribution in the form of dividend or bonus share shall be made.

If the general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory common reserve, the shareholders must return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the shares held by the Company.

Article 209 Capital common reserve include the following amounts:

(1) the premiums over the par value of the shares issued;

(2) other income which are required by the responsible financial department of the State Council to be included in the capital common reserve.

Article 210 The common reserve of the Company shall be used for the purposes of making up losses of the Company, increasing the scale of production and operation of the Company or conversion into capital of the Company. The Company shall not apply the capital common reserve for making up its losses.

The Company may, subject to resolution by shareholders in shareholders general meeting, convert the common reserve into share capital by issuing new shares to the shareholders in proportion to their existing shareholdings or increasing the par value of each share provided that when the statutory common reserve is converted into share capital of the Company, the remaining statutory common reserve after such conversion shall be no less than twenty-five per cent. (25%) of the registered capital.

Article 211 Once the dividend payout policy has been approved by the shareholders at the shareholders meeting, the directors shall complete the distribution of dividends (or shares) within two months after the shareholders meeting.

Any payment for the shares paid before calls on shares shall be entitled to dividends. However, shareholders shall not be entitled to receive dividends where the dividends are subsequently declared.

Article 212 The Company may distribute its dividend in the following forms:

(1) cash;

(2) shares.

Article 213 Dividends and other payments made to local shareholders shall be paid in Renminbi. Dividends paid to holders of listed foreign shares shall be declared and calculated in Renminbi but paid in foreign currency. Dividends paid in respect of foreign shares listed in Hong Kong shall be paid in Hong Kong dollars.

Table of Contents

Article 214 Unless otherwise provided in law and administrative regulations, the exchange rate used for the payment of cash dividend and other payments in foreign currency shall be the average closing rate quoted by the Foreign Exchange Trading Centre of the PRC in the calendar week before the declaration of dividend.

Article 215 Unless otherwise resolved by shareholders in general meeting, the board of directors to declare half-yearly dividends. Unless otherwise provided by law, the amount of half-yearly dividend shall not exceed fifty per cent. (50%) of the distributable profits as set out in the interim profit statements.

Article 216 When distributing dividends to its shareholders, the Company shall act as a withholding agent in relation to individual income tax payable in accordance with tax law of the PRC with respect to such distribution based on the amount distributed.

Article 217 The Company shall appoint on behalf of the holders of overseas listed foreign shares a receiving agent to receive on behalf of such shareholders dividends declared and all other monies owing the Company in respect of the overseas listed foreign shares.

Appointment of the receiving agent shall comply with the law of the place where the shares are listed or the requirements of the local stock exchange.

The Company shall appoint as receiving agent a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

Article 218 The Company shall implement internal audit procedures by engaging auditors dedicated to carrying out internal audit on the financial and business activities of the Company.

Article 219 The internal audit procedures and the duties of the internal auditors shall be implemented after such procedures and duties have been approved by the board of directors. The head of the internal auditors shall be accountable, and shall report its work, to the board of directors.

CHAPTER 16 APPOINTMENT OF A FIRM OF ACCOUNTANTS

Article 220 The Company shall appoint an independent firm of accountants which satisfies the relevant requirements of the PRC to audit the annual financial report of the Company and review other financial reports. The accounting firm engaged by the Company shall be determined at the shareholders meeting.

Article 221 The term of appointment of the Company s accountants shall begin immediately after the shareholders meeting of the current year and end immediately after the shareholders meeting of the following year.

Article 222 The firm of accountants appointed by the Company shall have the following rights:

(1) to inspect the accounting ledgers, records or evidential documents of the Company and to request the directors or senior officers of the Company to provide relevant information and explanation;

(2) to request the Company to take all reasonable measures to obtain the information and explanation from its subsidiaries for the purpose of performing the duties of the firm of accountants;

Table of Contents

(3) to attend the shareholders general meeting, to receive the notice of the meeting and other information in relation to the meeting which is received by the shareholders and to be heard at any such meeting on any part of the business of the meeting which concerns it as the firm of accountants of the Company.

Article 223 If there is a vacancy in the office of the firm of accountants, the board of directors shall before the holding of the shareholders general meeting fill that vacancy by appointing another firm of accountants. If the Company has another firm of accountants holding the office during the vacancy period, that firm of accountants may still act.

Article 224 The firm of accountants may be removed by ordinary resolution of the shareholders in general meeting before the expiration of its term of office notwithstanding the provisions of the contract made between the Company and the firm of accountants. The right to sue for compensation for dismissal by such firm of accountants shall not be affected.

Article 225 The remuneration of the firm of accountants or the form of remuneration of the firm of accountants shall be decided by shareholders in shareholders general meeting. The remuneration of the firm of accountants who is appointed by the board of directors shall be decided by the board of directors.

Article 226 The appointment, dismissal or discontinuation of employment of the firm of accountants shall be decided by the shareholders in general meeting. The decision shall be announced in the relevant newspapers and where necessary, state the reasons for the change, and shall be filed with the China Securities Regulatory Commission for records.

Where a resolution at a general meeting of shareholders is passed to appoint a firm of accountants other than an incumbent firm of accountants, to fill a casual vacancy in the office of the firm of accountants, to re-appoint a retiring firm of accountants which was appointed by the board of directors to fill a casual vacancy, or to remove a firm to accountants before the expiration of its term of office, the following provisions shall apply:

(1) a copy of the proposal shall be sent before a notice of meeting is given to the shareholders to the firm proposed to be appointed or the firm proposing to leave its post or the firm who has left its post (leaving includes leaving by removal, resignation and retirement);

(2) if the firm leaving its post makes representations in writing and requests their notification to the shareholders, the Company shall (unless the representations are received too late):

(i) in any notice of the resolution given to shareholders, state the fact of the representations having been made;

(ii) send a copy of the representations as an appendix to the notice to every shareholder in the manner set out in these Articles.

(3) if the firm s representations are not sent under sub-paragraph (2) above, the firm may (in addition to its right to be heard) require that the representations be read out at the meeting;

(4) a firm which is leaving its post shall be entitled to attend:

(i) the general meeting at which its term of office would otherwise have expired;

(ii) any general meeting at which it is proposed to fill the vacancy caused by its removal;

Table of Contents

(iii) any general meeting convened on his resignation;

and to receive all notices of, and other information relating to, any such meeting, and to be heard at any such meeting which it attends on any part of the business of the meeting which concerns it as former firm of accountants of the Company.

Article 227 Any removal or discontinuation of employment of the firm of accountants by the Company shall be notified to the firm of accountants. The firm of accountants has the right to explain in shareholders general meeting. Any resigning firm of accountants shall explain in the shareholders general meeting as to whether there is any irregularity.

A firm of accountants may resign its office by depositing at the Company s address a notice in writing (any such notice shall terminate its office on the date on which it is deposited or on such later date as may be specified therein) to that effect and containing:

(1) a statement to the effect that are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any such circumstances.

Where a notice is deposited under the foregoing paragraph, the Company shall within fourteen (14) days send a copy of the notice to the competent authority in charge. If the notice contained a statement under sub-paragraph (ii) of the foregoing paragraph, a copy of the statement shall be placed at the Company for shareholders inspection and a copy of the notice shall also be sent by prepaid mail to every shareholder who is entitled to receive a copy of the Company s financial report at the addresses as registered in the shareholders register.

Where the notice of resignation of the firm of accountants contains a statement under sub-paragraph (2) above, it may require the board of directors to convene an extraordinary general meeting of shareholders for the purpose of receiving an explanation of the circumstances connected with its resignation.

CHAPTER 17 INSURANCE

Article 228 (1) The Company may take out various types of insurance from the People s Insurance Company of China or other organisations permitted by applicable laws or regulations of the PRC to provide insurance coverage to the Company.

(2) The types of coverage, the insurance premium and the term of insurance shall be discussed and decided at board meetings in accordance with the recommendation of the general manager based on the practices of similar businesses in other countries and the practice and legal requirements in the PRC.

Table of Contents

CHAPTER 18 LABOUR MANAGEMENT

Article 229 (1) Subject to laws, regulations and policies of the PRC and the Shanghai Municipality and as required by its operations and management, and Company shall hire and dismiss staff and workers at its own discretion and have the full right to prepare and implement its own system for remuneration and personnel management.

(2) The Company should establish a labour contract system and provisions relating to the employment, dismissal, resignation, remuneration, welfare benefits, rewards, discipline, punishments, labour insurance and labour discipline of the staff and workers of the Company shall be specified in the labour contract to be entered into by the Company and each individual staff member and worker of the Company.

Article 230 The Company shall have the right to dismiss any staff and workers. Staff and workers shall enjoy the freedom to resign.

Article 231 The resignation or transfer of staff and workers who have attended special training programs of the Company shall require the approval of the general manager.

Article 232 The Company shall implement the laws and regulations of the State Council, relevant labour authorities and the Shanghai Municipal Government relating to labour protection and labour insurance for the Company s retired and unemployed workers.

CHAPTER 19 TRADE UNION ORGANISATION

Article 233 (1) The staff and workers of the Company shall have the right to carry out trade union activities.

(2) The Company shall in each month allocate an amount equal to two per cent. (2%) of the total amount of wages paid to the staff and workers of the Company to the trade union fund. Such fund shall be used by the trade union of the Company in accordance with the measures for the Management of Trade Union Funds formulated by the All China Federation of Trade Union.

CHAPTER 20 MERGER AND DIVISION OF THE COMPANY

Article 234 Any merger or division of the Company shall be conducted in accordance with the following procedures:

(1) the board of directors shall draft the merger or division proposal;

(2) the resolutions shall be passed at the shareholders general meeting in accordance with the Company Articles;

(3) all parties to the merger or division shall enter into a merger or division contract;

(4) carry out approval procedures in accordance with the law;

(5) deal with matters relating to merger and division, such as indebtedness and debtors; and

(6) cancel registrations or amend registrations.

Table of Contents

Where the Company merges or divides, the board of directors shall take all necessary actions to protect the rights and interests of the shareholders who oppose the merger or division. Shareholders who oppose the merger or division proposal have the right to request the Company or those shareholders who agree with the merger or division proposal to acquire their shares at a fair value.

The resolution relating to merger or division shall be regarded as a specialised document and shall be made available for shareholders inspection. The documents shall be sent to the holders of foreign listed shares by mail.

Article 235 The merger of the Company may take the form of either merger by absorption or merger by establishment of a new company. Merger by absorption refers to a company absorbs another company and thereby the absorbed company shall be dissolved.

Merger by establishment of a new company refers to the creation of a new company by two companies or more and thereby the merging parties shall be dissolved.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date when the resolution relating to the merger is passed and shall publish notices in newspapers designated by the relevant regulatory authorities located at the place where the Company s shares are listed within thirty (30) days of the date when the resolution relating to the merger is passed. A creditor may within thirty (30) days of receipt of the notice from the Company or, in the case of failure to receive such notice, within forty-five (45) days of the date of announcement, require the Company to repay its debts or to provide the corresponding guarantee for such debt.

Article 236 When the Company is divided, its assets shall be split accordingly.

In the event of a division, the parties to the division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The company shall notify its creditors within ten (10) days of the date when the resolution relating to the division is passed and shall publish notices in newspapers designated by the relevant regulatory authorities located at the place where the shares of the Company are listed within thirty (30) days of the date when the resolution relating to the division is passed.

Article 237 The assets, rights and liabilities of each party to the merger or division of the Company shall be stipulated clearly in a contract.

Pursuant to the merger of the Company, the rights and liabilities of the parties to the merger shall be assumed by the merged entity or newly formed company.

The liabilities of the Company before the division shall be jointly and severally assumed by the company after the division except to the extent that prior to the division, the Company has otherwise reached an agreement with its creditors in writing in respect of the settlement of debts.

Article 238 When the Company merges or divides and there is a change in any registered matter, the Company shall amend the registration details with the company registration authority in accordance with laws. When the Company dissolves, the Company shall cancel its registration in accordance with laws. When a new company is established, its establishment shall be registered in accordance with laws.

Table of Contents

CHAPTER 21 TERMINATION AND LIQUIDATION OF THE COMPANY

Article 239 The Company shall be dissolved and liquidated in any of the following circumstances:

(1) the shareholders in a general meeting have decided to dissolve the Company;

(2) the Company is required to be dissolved due to merger or division;

(3) the Company cannot repay its debts when due and is declared insolvent in accordance with law;

(4) the Company has its business license revoked, is ordered to be closed down or terminated for contravention of laws and administrative regulations;

(5) shareholders holding 10% or more of the total voting rights of the Company may apply to the People s Court to dissolve the Company if the Company experiences extreme difficulties in respect of its operation and management, which cannot otherwise be resolved, such that if the Company continues to operate, its shareholders will suffer significant losses, and the Company would be dissolved after the People s Court has rendered its judgment.

Article 240 If the Company is dissolved in accordance with Article 239(1), Article 239(4) and Article 239(5), a liquidation group shall be formed within fifteen (15) days and the members of the liquidation group shall be decided by ordinary resolutions of shareholders in general meetings. If a liquidation group is not set up within the specified time limit, the creditors of the Company may apply to the People s Court to appoint designated persons to carry out the liquidation.

If the Company is dissolved in accordance with Article 239(2), the liquidation will be carried out by the parties to the merger or division in accordance with the provisions of the merger or division contract.

If the Company is dissolved in accordance with Article 239(3), the People s Court shall organise a liquidation group in accordance with laws to carry out the liquidation. The group shall consist of shareholders, relevant authorities and relevant professional personnel.

Article 241 Where the board of directors proposes to liquidate the Company otherwise than because of a declaration of insolvency, the board shall, in the notice convening a general meeting of shareholders to consider the proposal, include a statement to the effect that, after having made a full inquiry into the affairs of the Company, the board is of the opinion that the Company will be able to pay its debts in full within 12 months after the commencement of the liquidation.

The board of directors and the general manager shall cease to function once the resolution to liquidate is passed by the shareholders in general meeting.

The liquidation group shall take instructions from the shareholders in general meeting and, not less than once each year, make a report to the shareholders of the group s receipts and payments, the business of the Company and the progress of the liquidation and shall make a final report to shareholders on completion of the liquidation.

Article 242 The liquidation group shall within ten (10) days of its establishment send notices to creditors and within sixty (60) days of its establishment publish notices in newspapers designated by the relevant regulatory authority located at the place where the shares of the Company are listed. Creditors shall within in thirty (30) days upon receipt of such notice or, in the case of failure to receive such notice, forty-five (45) days from the notice publication date declare their creditors right to the liquidation group.

Table of Contents

When declaring their creditors right, the creditors shall specify particulars of such creditors right and provide the evidential materials. The liquidation group shall register the creditors rights.

During the period of declaration of creditors right, the liquidation group shall not make repayment to the creditors.

Article 243 During the liquidation period, the liquidation group shall exercise the following powers:

(1) to deal with the assets of the Company and prepare a balance sheet and an inventory of assets;

(2) to send notices to creditors or notify them by public notice;

(3) to deal with and liquidate relevant uncompleted business matters of the Company;

(4) to settle in full all outstanding taxes and taxes incurred during the liquidation process;

(5) to deal with creditors rights and indebtedness;

(6) to deal with the residue assets after the Company s debts have been paid;

(7) to represent the Company in any civil proceedings.

Article 244 After dealing with the Company s assets and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan and present it to the shareholders general meeting or to the People s Court authority for confirmation.

Upon first paying the liquidation fees, the Company shall make repayments out of its assets in the following order:

(1) wages, labour insurance contributions and statutory compensation of employees of the Company;

(2) outstanding tax liabilities; and

(3) bank loans, Company s debts and other liabilities.

The Company shall subsist during the course of liquidation but shall not conduct any business activity that is not related to liquidation. No assets of the Company shall be distributed to the shareholders without having been used for making repayment in accordance with the preceding paragraphs.

The residue assets left after repaying its debts in accordance with the second paragraph of this Article shall be divided by the shareholders of the Company in accordance with the type of shares held by them and their shareholding proportion in the following order:

(1) where there are preferences shares, the preference shareholders shall receive the face value of the preference shares; if there are insufficient funds for paying the preference shares amount, the assets will be distributed in accordance with their shareholding proportion.

(2) payment shall be divided by the ordinary shareholders in accordance with their shareholdings.

Table of Contents

Article 245 Where the Company is liquidated upon dissolution, and the liquidation group after dealing with the assets of the Company and, preparing a balance sheet and an inventory of assets, finds that the assets of the Company is not sufficient to repay its debts, it shall apply to the People s Court for insolvency.

After the Company is declared insolvent by the ruling of the People s Court, the liquidation group shall transfer the liquidation matters to the People s Court.

Article 246 After the liquidation of the Company is completed, the liquidation group shall prepare liquidation report and income and expenses statements together with financial ledgers for the liquidation period and shall submit to the shareholders general meeting or the People s Court for confirmation after verification by accountants registered in the PRC.

The liquidation group shall within 30 days from the date of the confirmation by the shareholders general meeting or the People s Court submit the abovementioned documents to the relevant company registration authorities for cancellation of the registration of the Company and publish a notice that the Company is terminated.

Article 247 Members of the liquidation group shall be devoted to their duties and shall perform their obligations in accordance with the law. Members of the liquidation group shall not exploit their position to accept bribes or other illegal income or misappropriate the Company s properties.

Members of the liquidation group shall be liable for damages if their wilful default or gross negligence causes loss on the Company or its creditors.

CHAPTER 22 PROCEDURE FOR AMENDING THE ARTICLES

Article 248 The Company shall make amendments to these Articles in accordance with applicable laws, administrative regulations and the provisions of these Articles.

Article 249 The Company shall amend its articles of association in the following circumstances:

(1) where there has been a change in the Company Law or any relevant laws and regulations, and the Company Articles becomes inconsistent with the amended laws and regulations;

(2) where the circumstances of the Company change and become inconsistent with the existing articles of association;

(3) where it is resolved at the shareholders meeting that the articles are to be amended.

Article 250 The following amendments to the Articles shall require the approval of the relevant government authorities:

(1) change the name of the Company;

(2) change, expand or reduce the scope of the business operation of the Company;

(3) alter the share trading arrangement;

(4) increase or reduce the number of the shares issued by the Company in any class;

Table of Contents

(5) change the class of all or part of the shares of the Company, or change all or any portion of the shares of the Company;

(6) create additional class of shares;

(7) create or cancel convertible securities;

(8) change the par value of the shares of the Company;

(9) alter any provisions of the Articles in respect of other matters which would require adoption of a special resolution of the shareholders.

When the Company reduces its capital and alters these Articles, the method to reduce capital shall be stipulated in the resolution which authorizes the alteration of the Articles.

The provisions of this Article are subject in all respects to any other provisions of these Articles.

Article 251 The following procedure shall be followed for the amendment of these Articles:

(1) the board of directors shall resolve to amend these Articles in accordance with these Articles and formulate the amendments;

(2) the shareholders shall be notified of the amendments and a shareholders meeting shall be convened to vote on the amendments;

(3) the amendment to these Articles shall be resolved by special resolution of the shareholders.

The board of directors shall amend these Articles pursuant to the resolutions of a shareholders general meeting in respect of the amendment of these Articles of Association and the examination and approval opinion of the relevant competent authorities.

Amendments to these Articles which involve the provisions of the Mandatory Provisions shall be effective after approval by the authorized company approval authority of the State Council.

Article 252 Where the amendments to these Articles involve matters requiring registration, the Company shall amend its registration with the responsible company registration authority in accordance with the applicable laws. Where the amendments to these Articles involve matters requiring disclosure by laws and regulations, the amendments shall be announced in accordance with the applicable laws.

CHAPTER 23 NOTICES

Article 253 The Company shall give notice in the following ways:

(1) personal service;

(2) by post;

(3) by way of announcement;

(4) methods as provided for in the Company Articles.

Table of Contents

Where a notice is given by way of announcement, all relevant persons will be deemed as being served when the announcement is made.

Except as otherwise provided in these Articles, any notice, information or written statement to be given by the Company to shareholders of listed foreign shares must be served to the shareholders holding registered shares by personal service or by prepaid mail to the registered address of each shareholder of listed foreign shares.

Article 254 Where the Company serves notice by personal service, the person being served shall acknowledge receipt by signing (or affixing the seal) on the receipt. The person is deemed to be served on the date of acknowledging receipt.

Where the Company serves notice by way of announcement, the person is deemed to be served on the date the announcement is published.

Where a notice is sent by post, service of the notice shall be deemed to have been effected by properly addressing, prepaying and posting a letter containing the notice and to take effect five (5) business days after the letter containing the same is posted.

Any summons, notice, order, document, information or written statement to be served on the Company by shareholders or directors may be served by leaving it, or by sending it by registered mail addressed to the Company, at its legal address, or by leaving it with, or by sending it by registered mail to, the registered agent of the Company.

Service of any summons, notice, order, document, information or written statement to be served on the Company by shareholders or directors may be proved by showing that that summons, notice, order, document, information or written statement was mailed in such time as to admit to its being delivered in the normal course of delivery within the period prescribed for service and was correctly addressed and the postage was prepaid.

Article 255 Meetings and resolutions passed in meetings shall not be null and void by reason of an accidental omission to notify any person who is entitled to receive notice of the meeting or if such person has not received notice of the meeting.

CHAPTER 24 RESOLUTION OF DISPUTES

Article 256 The Company shall comply with the following provisions in any dispute resolution:

(1) For any disputes or claims arising from the rights or obligations conferred on by the Articles of Association, the Company Law and other applicable laws and administrative regulations between any holder of overseas listed foreign shares and the Company, between any holder of overseas listed foreign shares and a director, supervisor, or senior officer of the Company or between any holder of overseas listed foreign shares and holder of domestic shares, such disputes or claims shall be referred to arbitration.

When the abovementioned disputes or claims are referred to arbitration, they shall constitute the entire claims or disputes. All the persons who have the cause of action due to the same reason or the persons who are required to participate in the arbitration shall abide by the arbitration proceedings if the person is the Company, a shareholder, a director, a supervisor, or a senior officer of the Company.

Any disputes in relation to definition of shareholders or shareholders register may not be referred to arbitration.

Table of Contents

(2) The claimant may choose to arbitrate at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant.

If the claimant chooses to arbitrate at the Hong Kong International Arbitration Centre, any of the parties may request for the arbitration to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong Arbitration Centre.

(3) Unless otherwise provided by laws and administrative regulations, for any dispute or claim as mentioned in paragraph (1) above which is referred to arbitration, the governing law shall be the law of the PRC.

(4) The decision made by the arbitration body shall be final and conclusive and binding on all parties.

CHAPTER 25 SUPPLEMENTARY PROVISIONS

Article 257 These Articles were written in the Chinese language. If there is any discrepancy between any other language version or any version of the Articles of Association and these Articles, the most recent Chinese version registered with the registration authority of the Company shall prevail.

Article 258 References to above , within , below are inclusive; references to less than , exclude , lower than and more than are exclus

Article 259 In respect of the matters not covered by these Articles, they shall be proposed by the board and submitted to the shareholders in general meetings for resolution.

Article 260 The right to interpret these Articles shall be vested in the board of directors. The right to amend these Articles shall be vested in the shareholders in the general meeting.

Article 261 Where these Articles are inconsistent with the laws, regulations and requirements set out in other regulatory documents from time to time, such laws, regulations and requirements shall prevail.

Article 262 Any reference to a firm of accountants in these Articles shall mean auditor of the Company.

Any reference to general manager in these Article shall mean manager as defined under the Company Law.

Table of Contents

SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

APPENDICES TO THE ARTICLES OF ASSOCIATION

- 0 -

Table of Contents

Amendment History

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

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

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

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

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 12 June 2008

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 23 June 2010 and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 31 August 2010

As adopted and amended by special resolution of shareholders at the annual general meeting of the Company held on 27 June 2012

Table of Contents

CONTENTS

Table of Contents

RULES OF PROCEDURE FOR

SHAREHOLDERS GENERAL MEETINGS

CHAPTER I GENERAL PROVISIONS

Article 1 These Rules are formulated in accordance with the laws and regulations and the rules and regulations governing the listed companies within and outside China, including the Company Law of the People s Republic of China, the Securities Law of the People s Republic of China, the Mandatory Provisions in the Articles of Association of Companies Listed Overseas, the Guidelines on the Articles of Association of Listed Companies, the Standards on Corporate Governance for Listed Companies, the Rules of Procedure for Shareholders General Meetings of Listed Companies and with the Articles of Association of Sinopec Shanghai Petrochemical Company Limited (hereinafter referred to as the **Articles**), in order to protect the lawful interest of Sinopec Shanghai Petrochemical Company Limited (hereinafter referred to as the **Company**) and its shareholders, to clearly define the responsibilities and authority of the shareholders general meeting, to ensure the shareholders general meeting is conducted in a standardized, efficient and stable manner and to perform the functions and powers thereof according to law.

Article 2 These Rules shall be applicable to shareholders general meetings and shall have binding effect on the Company, all shareholders, proxies authorized by the shareholders, the directors, supervisors, general manager, deputy general managers, financial controller and the secretary of the board of directors of the Company and other relevant personnel who attend the shareholders general meeting.

Article 3 Shareholders general meetings can be classified as annual general meetings (hereinafter referred to as the **AGM**) and extraordinary general meetings.

Article 4 The AGM shall be convened once every year and shall be held within six months after the end of the preceding accounting year.

Article 5 For all shareholders general meetings convened each year, meetings other than the AGM shall be treated as extraordinary general meetings. The extraordinary general meetings shall be arranged in sequential order during the year.

Article 6 Shareholders holding different classes of shares shall be referred to as **class shareholders** . Apart from holders of other classes of shares, holders of domestic shares and H shares shall be treated as **holders of different classes of shares**. In the event that the Company intends to change or abolish the rights enjoyed by the class shareholders, the said change or abolishment shall, in accordance with the Articles, be approved by a special resolution at the shareholders general meeting and a class meeting for the classes of shareholders shall be convened in connection therewith. No shareholders other than the classes of shareholders shall be allowed to attend such class meeting. Class meetings for the class shareholders can be classified as class meetings for holders of domestic shares and class meetings for holders of H shares.

Article 7 The board of directors of the Company shall strictly comply with the relevant requirements as provided in laws, administrative regulations, the Articles of Association and these Rules in respect of convening the shareholders general meeting and shall ensure that the shareholders can exercise their rights in accordance with law. The board of directors of the Company shall perform their duties earnestly and organize the shareholders general meeting diligently and in a timely fashion. All directors of the Company shall be diligent and responsible in duty performance so as to ensure the proper convening of the shareholders general meeting and its fulfillment of duties and powers in accordance with law.

Table of Contents

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

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

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

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

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

CHAPTER II FUNCTIONS AND POWERS OF THE SHAREHOLDERS GENERAL MEETING

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

(1) to determine the business objectives and investment plans of the Company;

(2) to elect and replace directors, and to determine matters relating to the remuneration of the directors;

(3) to elect and replace supervisors who are not employee representatives and to determine matters relating to remuneration of the supervisors;

(4) to consider and approve the reports of the board of directors;

(5) to consider and approve the reports of the supervisory committee;

(6) to consider and approve the Company s plans for profit distribution and for making up losses;

(7) to consider and approve the Company s annual budgets and the final accounts;

(8) to pass resolutions relating to the increase or reduction of the Company s registered capital;

(9) to pass resolutions relating to matters including the merger, division, dissolution, liquidation or changing of the form of the Company;

(10) to pass resolutions on the issue of bonds of the Company;

Table of Contents

(11) to pass resolutions on retaining or dismissing or ceasing to continue to retain the accounting firms;

(12) to amend the Articles of Association;

(13) to consider motions proposed by the board of directors, the supervisory committee and shareholders representing 3% or more of the voting right of the Company;

(14) to examine and approve matters relating to guarantees stipulated in Article 60 of the Articles;

(15) to consider the Company s significant acquisition or disposal of material assets conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;

(16) to examine and approve changes in the use of proceeds;

(17) to examine and approve share incentive schemes;

(18) to authorize or entrust the board of directors to handle all such matters as authorized or entrusted by it;

(19) to resolve other matters of the Company as required to be resolved in shareholders general meetings in accordance with laws, administrative regulations, rules and regulations of authorized departments, and the Articles of Association and these Rules;

CHAPTER III DELEGATION OF POWERS OF THE SHAREHOLDERS GENERAL MEETING

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

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

(1) Investment:

1. The shareholders general meeting shall consider the medium- to long-term investment plans and the annual investment plans of the Company; it shall delegate to the board of directors the power to make an adjustment of no more than 15% on the capital expenditure amount for the current year which has been approved by the shareholders general meeting.

Table of Contents

2. For investments in individual projects (including, but not limited to, projects involving fixed assets and external equity), the shareholders general meeting shall examine and approve any project with an investment amount which exceeds 5% of the most recent audited net assets value of the Company; it shall delegate to the board of directors the power to examine and approve any project with an investment amount no more than 5% of the most recent audited net assets value of the Company.

3. In the event that the Company utilizes its own assets to conduct risk investments (including, but not limited to, bonds, futures and shares) in any industry which is not related to the business of the Company, the shareholders general meeting shall examine and approve any such project with an investment amount which exceeds 2% of the most recent audited net assets value of the Company; it shall delegate to the board of directors the power to examine and approve any project with an investment amount of no more than 2% of the most recent audited net assets value of the Company.

(2) Transactions and asset transactions:

1. When entering into any transaction as stated in the Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange , whether or not such transaction shall be examined and approved by a shareholders general meeting shall be determined in accordance with the provisions of the Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange . With respect to any transaction not needed to be examined and approved by a shareholders general meeting, it shall be examined and approved by the board of directors or other authorized persons in accordance with the Rules of Procedures for Board of Directors Meetings .

2. In the course of carrying out a fixed assets transaction, if the sum of the estimated value of the fixed assets proposed to be transacted and the value derived from the fixed assets which have been transacted within four months prior to such transaction proposal are greater than 33% of the value of the fixed assets as shown in the balance sheets considered at the latest shareholders general meeting, a shareholders general meeting shall examine and approve such transaction. A fixed assets transaction which dispose of fixed assets at a value not greater than 33% shall be examined and approved by the board of directors.

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

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

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

Table of Contents

(3) The following matters relating to guarantees provided by the Company to a third party shall be subject to the approval by shareholders at general meetings:

1. any subsequent guarantee to be provided by the Company in favour of a third party when the aggregate amount of guarantees of the Company and its holding subsidiaries given in favour of third parties has already exceeded 50% of the Company s most recently audited net asset value;

2. any subsequent guarantee to be provided by the Company in favour of a third party, when the aggregate amount of guarantees of the Company given in favour of third parties has reached or has already exceeded 30% of the Company s most recently audited total asset value;

3. any guarantee to be provided by the Company in favour of an entity which is subject to a gearing ratio of over 70%;

4. any single guarantee to be provided by the Company exceeding 10% of the Company most recently audited net asset value;

5. any guarantees to be provided in favour of any shareholder, de facto controllers and their connected parties.

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

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

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

CHAPTER IV PROCEDURES TO CONVENE A SHAREHOLDERS GENERAL MEETING

Section 1 Proposing and seeking motions

Article 15 The content of the motions put forward in a shareholders general meeting shall fall within the scope of the duties and powers of the shareholders general meeting, and shall contain clear and definite items for discussion and specific matters to be resolved on, and shall comply with the relevant provisions of laws, administrative rules, the Articles of Association and these Rules.

Article 16 Motions are generally proposed by the board of directors to the shareholders general meeting.

Article 17

In the event that more than one-half of the independent directors propose to convene an extraordinary general meeting, such directors shall be responsible for proposing resolutions. In the event that the board of directors does not agree to convene the extraordinary general meeting, it shall disclose the relevant details of its decision.

Table of Contents

Article 18 In the course of convening a shareholders general meeting, the board of directors, the supervisory committee, more than one-half of the number of independent directors or shareholders who, individually or jointly, hold more than 3% of the total voting shares of the Company shall have the right to propose a motion.

Shareholders individually or jointly holding more than 3% of the shares in the Company may propose an ex tempore motion ten days before the convening of a shareholders general meeting and make the motion to the convenor in writing. The convenor shall within two days after receiving the motion issue a supplemental notice of the shareholders general meeting to announce the content of the ex tempore motion.

In addition to the circumstances prescribed in the preceding paragraph, after giving notice of the shareholders general meeting, the convenor shall not amend the motions set out in the notice of the shareholders general meeting or add any new motion.

The shareholders general meeting shall not vote or resolve on any motion which is not set out in the notice of the shareholders general meeting or which does not comply with the provisions of Article 14 of these Rules.

Article 19 In the event that the supervisory committee proposes to convene an extraordinary general meeting, it shall be responsible to propose motions in relation thereto.

Article 20 In the event that shareholders who, individually or jointly, hold more than 5% of the total voting shares of the Company propose to convene an extraordinary general meeting, they shall be responsible to propose motions in relation thereto, regardless of whether or not the meeting is convened by the board of directors.

Article 21 Before the chairman of the board of directors issues the notice of the board of directors convening the shareholders general meeting, the secretary of the board of directors may seek and collect motions from shareholders who individually hold more than 3% of the total voting rights of the Company, the supervisors or independent directors and submit the same to the board of directors for consideration. Upon approval, such motions shall be treated as motions to be submitted to the shareholders general meeting for consideration.

Article 22 The AGM shall at least consider the following motions:

(1) the annual report of the board of directors, including the investment plan and business strategy for the coming year;

(2) the annual report of the supervisory committee;

(3) the audited final accounts of the Company for the preceding year;

(4) the Company s plans for profit distribution and for making up losses of the preceding year;

(5) retaining, dismissing or ceasing to continue to retain an accounting firm.

Article 23 If an extraordinary general meeting or a class meeting is proposed to be convened by the supervisory committee, two or more than two shareholders who jointly hold more than 10% of the total voting shares at the proposed meeting, they may sign one copy or several copies of a written request in the same form and substance clearly specifying the topics for discussion for the meeting and at the same time submit to the board of directors a motion which complies with conditions as provided in the preceding articles of these Rules.

Table of Contents

Article 24 A motion involving any of the following circumstances is deemed to be a change or abrogation of class rights, and the board of directors shall submit the same to a class meeting for consideration:

(1) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;

(2) to convert all or part of a class of shares into another class, or to convert all or part of another class of shares into that class of shares, or to grant such conversion right;

(3) to cancel or reduce the rights in respect of dividends or the cumulative dividends attached to shares of that class;

(4) to reduce or cancel preferential rights to dividends or to distribution of assets in the event that the Company is liquidated;

(5) to add, cancel or reduce conversion rights, options, voting rights, transfer rights, pre-emptive rights arising from placement or the right to acquire securities of the Company attached to shares of that class;

(6) to cancel or reduce the rights to obtain payables in specific currencies from the Company attached to shares of that class;

(7) to create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;

(8) to restrict the transfer or ownership rights of such class of shares or impose additional restrictions thereto;

(9) to grant the right to subscribe for, or convert into, shares of such class of shares;

(10) to increase the rights and privileges of shares of another class;

(11) to conduct the proposed restructuring of the Company in such a way that may result in the holders of different classes of shares to assuming liability disproportionately;

(12) to amend or abrogate the provisions of Chapter 9, Special Procedures for Voting by a Class of Shareholders, of the Articles.

Section 2 Notice of meeting and change

Article 25 The convenor of the shareholders general meeting shall give notice of the shareholders general meeting. Convenors include the board of directors, the supervisory committee and shareholders who, individually or jointly, hold more than 10% of the total voting shares of the Company.

Article 26 The meeting convenor shall give notice of the shareholders general meeting 45 days before convening the shareholders general meeting (including the date on which the meeting is convened) to notify shareholders whose names appear in the register of shareholders of the motions proposed to be considered and the date and place of meeting.

Table of Contents

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

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

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

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

Article 27 The notice of the meeting of the class shareholders shall only be served to such shareholders who have the right to vote in the meeting of the class shareholders.

Article 28 The notice of the shareholders general meeting shall meet the following requirements:

(1) be made in writing;

(2) specify the place, date, time, and duration for the meeting;

(3) set out the matters and motions to be considered in the meeting and disclose, in full, the content of all the motions being proposed. If it is necessary to change any resolutions of the preceding shareholders general meeting, the content of the motion proposed related thereto shall be complete, and not merely list out the content of the changes; for any matter which is incorporated in any other business but the content of which has not been specified, it shall not be treated as a motion and no voting shall be conducted in respect of such matter at the shareholders general meeting;

(4) provide the shareholders such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed; this principle includes (but is not limited to) where the Company proposes to merge with the other, repurchase its shares, restructuring its share capital or undergo other reorganization, the specific terms and conditions of the proposed transactions must be provided in detail together with copies of the contracts related thereto, if any, and the causes and effect of the same must be properly explained;

Table of Contents

(5) if matters relating to election of directors and supervisors are proposed to be discussed at a general meeting of shareholders, detailed information concerning the candidates shall be fully disclosed in the notice of the general meeting, which shall at least include the following:

1. personal information relating to the candidates, including educational background, work experience and all other positions undertaken on a part-time basis;

2. whether the candidates are connected with the Company, its controlling shareholders or de facto controllers;

3. disclosing the candidates shareholdings in the Company;

4. whether the candidates have been subject to any punishment by the China Securities Regulatory Commission or other relevant department or to any sanction by any stock exchange.

Except where directors are to be elected through cumulative voting, each candidate for the position of supervisor or director shall be named by way of an individual motion.

(6) contain a disclosure of the nature and extent of the material interests of any director, supervisor, senior officer in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;

(7) contain the full text of any special resolution to be proposed and approved at the meeting;

(8) contain a clear statement that a shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more than one proxies to attend and vote at the meeting on its behalf and that such proxies need not be shareholders;

(9) state the shareholding record date for shareholders who have the right to attend the shareholders general meeting;

(10) state the date and place to serve a proxy form to appoint a proxy to vote in the meeting;

(11) state the names and contact numbers of the contact persons in connection with the meeting.

Article 29 In respect of a proposal made by an independent director for convening an extraordinary general meeting, the board of directors shall, in accordance with the provisions of laws, administrative regulations and these Articles, give a feedback in writing on whether it agrees or disagrees to the convening of an extraordinary general meeting within ten days after receiving the proposal.

If the board of directors agrees to the convening of an extraordinary general meeting, the board of directors shall give notice of the shareholders general meeting within five days after its adoption of the relevant resolution. If the board of directors does not agree to the convening of an extraordinary general meeting, the board of directors shall assign and announce reasons for its decision.

Article 30 The supervisory committee shall have the right to propose to the board of directors that an extraordinary general meeting be convened, and shall make the proposal in writing. The board of directors shall, in accordance with the provisions of laws, administrative regulations and these Articles, give a feedback in writing on whether it agrees or disagrees to the convening of an extraordinary general meeting within ten days after receiving the proposal.

Table of Contents

If the board of directors agrees to the convening of an extraordinary general meeting, the board of directors shall give notice of the shareholders general meeting within five days after its adoption of the relevant resolution. Any change to be made to the original proposal and set out in the notice shall have the consent of the supervisory committee.

If the board of directors does not agree to the convening of an extraordinary general meeting, or the board of directors does not give a feedback within ten days after receiving the proposal, the board of directors shall be deemed to have been unable to or to have failed to perform its duty to convene a shareholders general meeting, and the supervisory committee may convene and chair the meeting on its own.

Article 31 Shareholders individually or jointly holding more than 10% of the shares in the Company shall have the right to request the board of directors to convene an extraordinary general meeting, and shall make the request in writing. The board of directors shall, in accordance with the provisions of laws, administrative regulations and these Articles, give a feedback in writing on whether it agrees or disagrees to the convening of an extraordinary general meeting within ten days after receiving the proposal.

If the board of directors agrees to the convening of an extraordinary general meeting, the board of directors shall give notice of the shareholders general meeting within five days after its adoption of the relevant resolution. Any change to be made to the original proposal and set out in the notice shall have the consent of the shareholders concerned.

If the board of directors does not agree to the convening of an extraordinary general meeting, or the board of directors does not give a feedback within ten days after receiving the proposal, shareholders individually or jointly holding more than 10% of the share in the Company shall have the right to request the supervisory committee to convene an extraordinary general meeting, and shall make the request to the supervisory committee in writing.

If the supervisory committee agrees to the convening of an extraordinary general meeting, the supervisory committee shall give notice of the shareholders general meeting within five days after receiving the request. Any change to be made to the original proposal and set out in the notice shall have the consent of the shareholders concerned.

If the supervisory committee fails to give notice of the shareholders general meeting within the prescribed time limit, the supervisory committee shall be deemed to have failed to convene and chair a shareholders general meeting, and shareholders individually or jointly holding more than 10% of the share in the Company for 90 consecutive days may convene and chair the meeting on their own.

Article 32 If the supervisory committee or shareholders decides to convene a shareholders general meeting on their own, the supervisory committee or shareholders shall notify the board of directors in writing and shall at the same time file a report to the local office of the China Securities Regulatory Commission and the securities exchange of the place where the Company is located for the record.

Before the resolution of the shareholders general meeting is announced, the shareholders proportion of the convening shareholders shall not be lower than 10%.

The convening shareholders shall, at the time of giving notice of the shareholders general meeting and announcing the resolutions of the shareholders general meeting, submit the relevant supporting material to the local office of the China Securities Regulatory Commission and the securities exchange of the place where the Company is located.

Table of Contents

Article 33 The board of directors or the secretary of the board of directors shall facilitate the shareholders general meeting convened by the supervisory committee or shareholders on their own. The board of directors shall provide the shareholder register as at the ex-rights date.

Article 34 The cost which is necessarily incurred for a meeting convened by the supervisory committee or shareholders on their own shall be borne by the Company.

Article 35 Shareholders who intend to attend the shareholders general meeting shall serve a written reply on attending the meeting to the Company 20 days before the meeting is convened.

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

Article 36 After the meeting convenor gives notice of the shareholders general meeting, the shareholders general meeting shall not be deferred or cancelled without cause, and motions set out in the notice shall not be cancelled. In the event that the shareholders general meeting is required to deferred or cancelled, the meeting convenor shall make an announcement stating the reasons at least two working days before the date originally scheduled for convening the shareholders general meeting.

Article 37 Notwithstanding a delay of the shareholders general meeting of the Company, the shareholding record date, as set out in the original notice, for the shareholders who have the right to attend the shareholders general meeting shall not be changed.

Article 38 The Company shall, in accordance with the requirements stipulated by the Shanghai Stock Exchange, post all information relating to the shareholders general meeting on the website of the Shanghai Stock Exchange at least 5 working days before convening such meeting.

Section 3 Registration of the meeting

Article 39 Shareholders may attend the shareholders general meeting in person or appoint a proxy to attend and vote on their behalf. Directors, supervisors, secretary of the board of directors and the PRC legal counsel retained by the Company shall attend such meeting. The general manager and other senior officers of the Company shall attend such meetings as participants. Other persons being invited by the board of directors may also attend such meeting.

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

Table of Contents

Article 40 The Company shall be responsible for preparing a shareholder attendance register for shareholders who physically attend an on-site shareholders general meeting, which shall be signed by the shareholders who physically attend the on-site meeting or by the proxies of such shareholders. The shareholder attendance register for the on-site meeting shall contain the names of the people (and/or the entity) who (or which) attend the meeting, their identity card numbers, residential addresses, information to confirm the identity of the each of the shareholders (such as the shareholder s account number), the number of voting shares held or represented, the name of the persons (or the names of the entities) which are represented by proxy, and so forth.

Article 41 In addition to what is stated in the preceding article, matters which shall be registered in respect of attendance at the shareholders general meeting by the shareholders or their proxies include:

(1) confirmation of the identities of the shareholders or their proxies;

(2) requests to speak together with a description of the content of the speeches, if any;

(3) numbers of votes which the shareholders or their proxies may cast in accordance with the number of shares they hold/represent;

(4) new motions, if any.

Article 42 If a natural person shareholder attends the meeting in person, he shall present his identity card and provide materials that enable the Company to confirm his status as a shareholder; if he appoints a proxy to attend the meeting, such proxy shall present his identity card, the proxy form signed by the principal, and provide materials that enable the Company to confirm the principal s status as a shareholder.

Article 43 A legal person shareholder shall attend the meeting via its legal representative or a proxy authorized by the legal representative/board of directors/other decision-making authority. In the event of attending the meeting via its legal representative, he shall present his identity card, valid proof evidencing his qualification as legal representative, and provide materials that enable the Company to confirm its status as a legal person shareholder. In the event of attending the meeting via a proxy authorized by the shareholder, such proxy shall present his identity card, a written proxy form issued according to law by the legal representative/board of directors/other decision-making authority of the principal or a notarised copy of the authorization resolved by the board of directors or other competent authority of the legal person shareholder, and provide materials that enable the Company to confirm its status as a legal person shareholder.

Article 44 Shareholders shall appoint their proxies in writing. The content of such written proxy form shall state the following:

(1) the name of the proxy;

(2) the number of shares represented by the relevant proxy on behalf of the principal;

(3) whether or not the proxy has the right to vote;

(4) instruction to vote for or against in respect of each matter on the agenda of the shareholders general meeting;

(5) the date of signing and the term for such proxy form;

Table of Contents

(6) signature (or seal) of the principal or its proxy who is appointed in writing and, where the principal is a legal person, the official stamp of such legal person or the signature of its director or its duly appointed agent.

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

Article 45 The proxy form shall be lodged at the place of domicile or such place as specified in the notice of convening the meeting at least 24 hours before convening the meeting for which votes will be cast under the proxy form or 24 hours before the specified voting time. In the event that such proxy form is caused to be signed under an power of attorney issued by the principal, such power of attorney or other authorization documents related thereto shall be notarised. The notarised power of attorney and authorization documents together with the proxy form shall be lodged at place of domicile or other place as specified in the notice of convening the meeting.

Article 46 Shareholders attending the shareholders general meeting shall be registered. The following documents shall be provided respectively for the purposes shareholders registration at the meeting:

(1) Natural person shareholders: their identity cards or other valid certification or evidence or share account cards which can show their identities shall be presented; in case of attending the meeting by proxies, such proxies shall present their identity cards, the proxy forms issued by the shareholders, and provide materials that enable the Company to confirm the principal s status as a shareholder.

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

Article 47 The convenor and the legal advisers retained by the Company shall jointly verify the eligibility of the shareholders to vote based on the Company s shareholder register provided by the securities registration and clearing authority and shall register the name of the shareholders together with the numbers of voting shares in their possession. Registration shall come to a close before the chairman of the meeting announces the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote.

Article 48 Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote. The number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote shall be determined in accordance with the Company s shareholder register.

Table of Contents

Article 49 In the event that a shareholder or its proxy requests to speak at the shareholders general meeting, it shall register with the Company before convening the shareholders general meeting. The number of persons registered to speak at the meeting shall be limited to 10. In the event that there are more than 10 speakers, the first ten shareholders with the largest shareholdings shall have the right to speak. The priority to speak shall be arranged according to the shareholdings in such a way that shareholder with the largest shareholding shall have the first priority.

Section 4 Convening the meeting

Article 50 The location for holding a general meeting of the Company shall be in Shanghai, Shenzhen or Hong Kong and the exact location shall be specified in the notice of general meeting.

The Company shall, on the premise of ensuring the lawfulness and validity of the general meeting, expand the proportion of social public shareholders participating in the general meeting, through various methods or channels including the provision of up-to-date information technology measures such as online voting platforms.

Article 51 The chairman of the board of directors shall preside over the shareholders general meeting. If the chairman of the board of directors is unable to or does not perform duties for some reason, the meeting shall be presided over by the vice-chairman (If the Company has two or more vice-chairmen, the meeting shall be presided over by the vice-chairman jointly elected by more than half of the directors.). If the vice-chairman is unable to or does not perform duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

A shareholders general meeting convened by the supervisory committee on its own shall be presided over by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform duties, the meeting shall be presided over by a supervisor jointly elected by more than half of the supervisors.

A shareholders general meeting convened by the shareholders on their own shall be presided over by a representative elected by the convenors.

When a shareholders general meeting is convened, if the chairman of the meeting contravenes the rules of procedure and the shareholders general meeting cannot proceed as a result, upon the consent of more than half of the shareholders who physically attend the shareholders general meeting and having voting right, the shareholders general meeting may elect one person to preside over and proceed with the meeting.

Article 52 The chairman of the meeting may, being aware that all persons attending the meeting are in compliance with the legal requirements and that the registration of shareholders request to speak are completed, declare the opening of the meeting at the time as scheduled in the notice, or at a later time in the event of any of the following circumstances:

(1) when the equipment placed at the meeting venue is out of order such that the meeting cannot proceed as usual;

(2) when any matters of material importance take place affecting the normal proceeding of the meeting.

Table of Contents

Article 53 After the chairman of the meeting has declared the meeting officially open, he shall first announce that the number of shareholders attending the meeting and the number of shares represented by such shareholders are in compliance with the legal requirements. Thereafter, he shall read out the agenda as set out in the notice and inquire whether or not the shareholders attending the meeting have any objection to the voting order for the motions.

Article 54 After the chairman of the meeting finishes his inquiries on the meeting agenda, he may start to read the motions or entrust a person to read them out and, when necessary, make an explanation on the motions in accordance with the following requirements:

(1) in the event that the motion is proposed by the board of directors, the chairman of the board of directors or other persons entrusted by him shall make an explanation in relation thereto;

(2) in the event that the motion is proposed by the supervisory committee or shareholders who, individually or jointly, hold more than 3% of the total voting shares of the Company, the said person or its legal representative or a proxy who is lawfully and validly authorized by a shareholder shall give an explanation in relation thereto.

Article 55 Motions which are included on the meeting agenda shall be considered before voting. Each motion shall be given a reasonable time for discussion during the shareholders general meeting. The chairman of the meeting shall orally inquire whether shareholders attending the meeting have finished considering such motions. In the event that the shareholders attending the meeting have no objection in connection therewith, consideration of the motions shall be deemed completed.

Article 56 No shareholder shall speak more than twice without the consent from the chairman of the meeting. He may not speak for more than 5 minutes for the first time and 3 minutes for the second time.

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

Article 57 Shareholders may query the Company during the shareholders general meeting. The chairman of the meeting shall direct the directors, supervisors or senior officers to respond to or provide explanations in connection with queries raised by shareholders, except questions relating to the commercial secrets of the Company which shall not be disclosed during the shareholders general meeting.

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

The external audit firm shall attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors report, the accounting policies and auditor independence.

Article 58 The board of directors of the Company together with other convenors shall adopt necessary measures to maintain the normal order of the general meeting of shareholders. Measures shall be taken to stop any act which interferes with or causes nuisance at a general meeting and any act which infringes the lawful interests of the shareholders. Timely report of these acts shall be made to the relevant authority for investigation.

Table of Contents

Section 5 Voting and resolutions

Article 59 Shareholders general meetings shall pass resolutions on specific motions.

Article 60 Matters not covered in the notice of a shareholders general meeting shall not be resolved upon at the meeting. In the course of considering the content of the motions as set out in the notice of a shareholders general meeting, no alteration shall be made to the content of the motions. If any alteration is made, the alteration shall be deemed to be a new motion which shall not be voted upon at the shareholders general meeting.

Except in the case of the cumulative voting system, the shareholders general meeting shall vote on all motions that are put on the agenda one-by-one. Except in the case of force majeure or other special reasons which lead to suspension of the shareholders general meeting or its failure to adopt a resolution, voting on the same shall neither be put on hold nor be refused for any reason. In the event that different motions are proposed for the same matters, voting on such motions shall be conducted based on the order of the time of proposing such motions to the shareholders general meeting.

Article 61 The chairman of the meeting is obliged to demand a poll on the motions at the shareholders general meeting (by open ballot). Unless a poll is demanded by the chairman of the shareholders general meeting, at least 2 shareholders or proxies having the right to vote, or one or more shareholders (including the proxies thereof) individually or jointly holding more than 10% of the total voting shares of the Company, voting in the shareholders general meeting shall be conducted by a show of hands.

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

Article 62 Each vote can only be exercised once either physically at a meeting, via internet or through other permitted means. If the same vote is exercised more than once, only the first vote will be accounted for.

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

Article 63 The cumulative voting method shall be adopted for voting on motions in connection with the election of directors at the shareholders general meeting in accordance with the Articles. The main contents of the cumulative voting system are as follows:

(1) The cumulative voting method must be adopted where the number of directors to be elected are more than two;

(2) When the cumulative voting method is adopted, each of the shares held by a shareholder shall carry the same voting right as to the number of directors to be elected;

(3) The notice of the shareholders general meeting shall notify shareholders of the adoption of the cumulative voting method for electing directors. The meeting convenor must prepare such ballot papers as are suitable for carrying out the cumulative voting method and specify and explain, in writing, the method for casting cumulative votes, completing the ballot paper and calculating the votes;

Table of Contents

(4) When voting on directors candidates at a shareholders general meeting, a shareholder may exercise his voting right by spreading his votes evenly and for each of the directors candidates casting the number of votes corresponding to the number of shares he holds; or he may exercise the voting rights in a way to concentrate his votes on a particular director candidate by casting the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors to be elected;

(5) Once a shareholder exercises his voting right by focusing his votes on one director or several directors while the number of voting rights carried by each of his shares is the same as the number of directors to be elected, he shall have no right to vote on other directors candidates;

(6) In the event that the total number of the votes cast by a shareholder on one or several directors exceeds the voting right represented by total number of shares he holds, the votes cast by such shareholder shall be invalid and he is deemed to abstain from voting; in the event that the total number of the votes cast by a shareholder on one or several directors is less than the voting rights represented by the total number of shares he held, the votes cast by such shareholder shall still be valid and the voting rights attached to the shortfall between the votes actually cast and the votes which such shareholder is entitled to cast shall be deemed to have been waived by him;

(7) In the event that the number of affirmative votes received by a director candidate exceeds one-half of the total number of shares with voting rights represented by the shareholders attending the shareholders general meeting (on the basis of the total number of shares if cumulative voting is not adopted) and the number of affirmative votes exceeds the number of opposing votes, such candidate shall be the elected candidate. In the event that the number of the elected candidates exceeds the number of directors required to be elected in the shareholders general meeting, the candidate who wins the largest number of affirmative votes shall be the elected candidate (provided that in cases where elected candidates receiving affirmative votes win the same number of affirmative votes such that the number of candidates elected would exceed the number of directors required to be elected, then such candidates shall be treated as having not been elected); in the event that the number of elected candidates is less than the number of directors required to be elected, a new round of voting shall be held for the remaining vacancies until the election of all the directors required to be elected is completed;

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

(9) Independent directors and other members of the board of directors shall be elected separately.

Article 64 In considering the motions in connection with the election of directors or supervisors at a shareholders general meeting, voting shall be conducted on each of the candidates for director or supervisor one by one.

Article 65 Resolutions of the shareholders general meeting shall be classified as ordinary resolutions and special resolutions.

Table of Contents

(1) Ordinary resolutions

1. An ordinary resolution at a shareholders general meeting shall be passed by votes representing the majority of the voting rights represented by the shareholders (including proxies authorized by the shareholders) attending the meeting.

2. The following matters shall be resolved by an ordinary resolution at a shareholders general meeting:

(i) working reports of the board of directors and the supervisory committee;

(ii) plans for profit distribution and plans for making up losses prepared by the board of directors;

(iii) matters relating to methods of appointment and removal of the members of the board of directors, members of the supervisory committee who are not employee representatives, and the remuneration, payment methods and liability insurance of all directors and supervisors;

(iv) the annual budget, balance sheet, profit and loss statements and other financial statements of the Company;

(v) annual reports of the Company;

(vi) matters other than those required by law, administrative regulations or the Articles of Association and these Rules to be adopted by special resolutions.

(2) Special resolutions

1. A special resolution at a shareholders general meeting shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies authorized by the shareholders) attending the meeting.

2. The following matters shall be resolved by a special resolution at a shareholders general meeting:

(i) an increase of reduction of the share capital of the Company and the issue of any class of shares, warrants and other similar securities;

(ii) issuance of corporate bonds;

(iii) division, merger, dissolution, liquidation or change of the form of the Company;

(iv) amendment to the Articles of Association;

(v) the Company s significant acquisition or disposal of material assets or provision of guarantees conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;

(vi) share incentive schemes; and

Table of Contents

(vii) any other matter which is necessary to be adopted by way of a special resolution, as stipulated by laws, administrative regulations or the Articles of Association, or considered at a shareholders general meeting by way of an ordinary resolution as having a material impact on the Company.

Article 66 The following issues shall require approval by the shareholders general meeting of the Company, and the approval by the public shareholders holding more than one half of the total voting rights of the shares giving that right, who are present at the meeting, in order to take effect or to submit for application:

(1) the issuance of new shares to the public shareholders of the Company (including overseas-listed foreign shares or other title certificates with nature similar to shares, except for the overseas-listed foreign shares that are, upon approval at the shareholders general meeting by way of a special resolution issued by the Company at a 12-month interval with a volume not exceeding 20% of the foreign shares in issue), issuance of convertible bonds of the Company or placing of shares to existing shareholders (other than those promised to be fully subscribed by the Controlling Shareholder in cash prior to the meetings);

(2) major asset reorganization of the Company, pursuant to which the total amount of assets purchased has exceeded the audited net nominal value of the assets purchased by 20% or above;

(3) the repayment of debts owed to the Company with the equities held by the shareholders in the Company;

(4) the foreign listing of the subsidiaries of the Company which has a material effect on the Company;

(5) any relevant matter which has a material effect on the interests of the public shareholders during the development of the Company.

Article 67 Affected class shareholders shall have the right to vote on matters involving sub-paragraphs (2) to (8) and (11) to (12) of Article 24 hereof, regardless of whether or not they originally have the right to vote at the class meeting for class shareholders; provided that interested shareholders shall not have any right to vote at the class meeting for the class shareholders.

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

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

(2) In the event that the Company repurchases its own shares by a off-market agreement in accordance with Article 30 of the Articles, interested shareholders means the shareholders to whom such agreement relates;

(3) Under the proposed restructuring of a Company, interested shareholders means the shareholders who assume the liability thereof in a proportion less than that assumed by other holders of the same class of shares or who have a different interest to other holders of the same class of shares.

Table of Contents

Article 68 A resolution of the class shareholders at a class meeting shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders attending the class meeting in accordance with the preceding article.

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

Article 69 In the course of considering matters relating to the connected transactions at a shareholders general meeting, the connected shareholders shall abstain from voting. The voting rights represented by the number of shares of such shareholders shall be excluded from the total number of valid votes. The voting result of the non-connected shareholders shall be fully disclosed in the announcement of the resolution of the shareholders general meeting.

Article 70 Shareholders present at the shareholders general meeting shall express one of the following opinions on the motion put forward for voting: for , against , or abstention .

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

Article 71 Before a vote was taken on a motion at the shareholders general meeting, two representatives of the shareholders shall be nominated to participate in the counting of votes as well as scrutinizing the counting process. If a shareholder is interested in the matter under consideration, the relevant shareholder and his proxies shall not participate in the counting of votes or scrutinize the counting process.

At the time of a vote was taken on a motion by voting at the shareholders general meeting, legal advisers, representatives of shareholders and representatives of supervisors shall jointly be responsible for the counting of votes as well as scrutinizing the counting process. They shall announce the voting results to the meeting. The voting results in connection with the resolution shall be recorded in the minutes.

Shareholders of the Company who vote via a network or other means, or the proxies of such shareholders, shall have the right to check their own voting results through a corresponding voting system.

Where the votes for and against a resolution are equal, the chairman of the meeting shall be entitled to a casting vote.

Article 72 The chairman of the meeting shall be responsible for deciding whether or not a resolution is passed by the shareholders general meeting according to the results of the vote counting as confirmed by legal advisers, representatives of shareholders and representatives of supervisors. The chairman s decision shall be final and shall be announced at the meeting and recorded in the minutes.

Article 73 Minutes of a general meeting of shareholders shall be kept. Minutes of general meetings should set out the following:

(1) the date and venue for convening the meeting, meeting agenda and the name of the convenor;

Table of Contents

(2) the name of the chairman of the meeting as well as those of the directors, supervisors and senior officers who attend the meeting as attendees and non-voting attendees;

(3) the number of shareholders and proxies attending the meeting, the total number of voting shares represented by the shareholders who are entitled to vote; the proportion of the number of voting shares represented by the shareholders who are entitled to vote out of the total number of shares of the Company; the number of voting shares represented by public shareholders holding domestically listed shares (including their proxies) and the number of voting shares represented by shareholders holding non-circulating shares (including their proxies) and their respective proportions out of the total number of shares of the Company; the individual voting results for each motion of the public shareholders holding domestically listed shares and shareholders holding non-circulating shares;

(4) a description of the considerations taken for each motion, the main points put forward by each speaker relating thereto and the voting results thereof;

(5) details of queries and recommendations of the shareholders and the corresponding response or explanation in relation thereto;

(6) the names of the legal advisers and persons responsible for counting the votes and for supervising the counting process;

(7) other contents which should be recorded in the minutes as provided for in the Articles of Association.

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

Article 74 A general meeting of shareholders shall not be declared closed for shareholders who attend in person at a time earlier than for those shareholders who attend via internet or other permitted means. The chairman of the meeting shall announce to the meeting the voting details and results of each motion and shall declare whether or not a motion is adopted on the basis of the relevant voting results.

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

Article 75

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

(1) whether the procedures for convening and holding the shareholders general meeting comply with the requirements of the laws and regulations, the Articles and these Rules;

(2) whether attendees or the convenor of a general meeting meet the requisite legal requirements;

Table of Contents

(3) whether the voting procedures for and the voting results of the general meeting are lawful and valid;

(4) issuance of any legal opinions on other relevant issues at the request of the Company.

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

Section 6 Adjournment of meeting

Article 76 The board of directors of the Company shall ensure that the shareholders general meeting is held continuously within a reasonable office hours until reaching the final resolutions.

Article 77 If, in the course of the meeting, disputes arising out of the identity of any shareholder or the results of the calculation of the votes and so on cannot be resolved on site in such a way that the order of the meeting is affected and the meeting cannot proceed as usual, the chairman shall declare an adjournment of the meeting.

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

Article 78 In the event that the shareholders general meeting has been adjourned due to an event of force majeure or other special reasons such that the meeting has to be suspended or fails to reach any resolution, the convenor shall take necessary measures to resume the shareholders general meeting as soon as possible or directly terminate the shareholders general meeting. The convenor shall also make a report to the China Securities Regulatory Commission Shanghai Securities Regulatory Bureau and the stock exchange.

Section 7 Post-meeting issues and announcement

Article 79 The secretary of the board of directors shall be responsible for submitting the relevant materials including minutes and resolutions to the relevant regulatory authorities and making an announcement in the designated media in accordance with the relevant laws and regulations and as required by China Securities Regulatory Commission and the stock exchanges upon which the shares of the Company are listed.

Article 80 The number of shareholders (or their authorized proxies) attending the meeting, the total number of the voting shares held by such shareholders (or represented by such proxies) and the proportion of such shares to the total number of voting shares of the Company, the voting method and the results of the polls for every motion shall be stated clearly in the announcement of the resolutions of the shareholders general meeting. For resolutions of a motion proposed by a shareholder, the name and the shareholding of the proposing shareholder together with the contents of the motion shall be specified.

Article 81 In the event that a motion in connection with the meeting has not been adopted or the resolutions of the preceding shareholders general meeting have been changed at the current shareholders general meeting, the board of directors shall state the same in the announcement of the resolutions of the shareholders general meeting.

Table of Contents

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

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

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

CHAPTER V SUPPLEMENTARY PROVISIONS

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

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

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

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

Table of Contents

RULES OF PROCEDURE FOR

BOARD OF DIRECTORS MEETINGS

CHAPTER I GENERAL PROVISIONS

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

CHAPTER II COMPOSITION OF THE BOARD OF DIRECTORS AND ITS

SUBORDINATE OFFICES

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

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

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

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

Table of Contents

Each specialist committee shall have the following basic responsibilities:

(1) Major responsibilities of the audit committee are:

(i) to propose the appointment or replacement of an external audit firm and to oversee the work of the external audit firm;

(ii) to oversee the Company s internal audit policy and the implementation thereof;

(iii) to be in charge of the communications between the Company s internal and external auditors;

(iv) to review the Company s financial reports and the disclosure thereof;

(v) to review the Company s internal control system and submit to the board an annual self-assessment report on the Company s internal control;

(vi) to review the major connected transactions;

(vii) to review the arrangements made by the Company for the concerns raised by employees in confidence about improprieties in financial reporting, internal control or other matters, and to ensure that the Company will conduct a fair and independent investigation of these matters and take appropriate follow-up action; and

(viii) to perform other duties and powers as assigned by the board.

(2) Major responsibilities of the remuneration and appraisal committee are:

(i) to formulate a remuneration policy and an implementation scheme according to the main terms of reference, duties and significance of the management positions of the directors and officers, as well as on the basis of the pay levels for the relevant positions at other relevant companies;

(ii) to carry out the remuneration policy and the implementation scheme, which primarily comprise performance appraisal standards and procedures, a main evaluation mechanism, award and penalty regimes and standards, etc.;

(iii) to review and approve the remuneration proposals for the management with reference to the Company s business goals and objectives set by the board;

(iv) to review the performance of duties by the directors and officers of the Company and to conduct annual performance appraisals thereof;

(v) to review and approve compensation payable to executive directors and officers of the Company for any loss or termination of office, or compensation arrangements in connection with the dismissal or removal of directors of the Company for misconduct to ensure that such compensation or compensation arrangements are consistent with contractual terms or are otherwise fair and not excessive;

(vi) to ensure that no director or any of his directly interested parties thereof is involved in deciding his own remuneration; and

(vii) to perform other duties and powers as assigned by the board.

(viii) to search for candidates available for employment in the domestic and overseas human resources markets and within the Company and to make recommendations to the board;

Table of Contents

(3) Major responsibilities of the nomination committee are:

(i) to examine the criteria, procedures and methods for the selection of directors and officers and to submit the same to the board for consideration;

(ii) to review the structure, size and composition of the board (including the skills, knowledge and experience) at least annually and to make recommendations on any proposed changes to the board to complement the Company s corporate strategies;

(iii) to identify candidates with appropriate qualifications to act as directors and to select and nominate such candidates;

(iv) to conduct an investigation into the candidates for directorships and the position of general manager and to recommend to the board;

(v) to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors (especially the chairman and the general manager);

(vi) to assess the independence of independent non-executive directors;

(vii) to conduct fact-finding investigations into the candidates for other management positions as proposed by the general manager and to offer opinions on such investigations to the board;

(viii) to search for candidates available for employment in the domestic and overseas human resources markets and within the Company and to make recommendations to the board;

(ix) to perform other duties as assigned by the board; and

(x) to perform other duties as assigned by the securities regulatory authorities in places where the Company is listed.

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

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

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

(1) to be responsible for convening shareholders general meetings and report on its work to the shareholders general meetings;

(2) to implement the resolutions passed at the shareholders general meetings;

(3) to determine the Company s business plans and investment plans;

(4) to prepare the Company s annual preliminary and final financial budgets;

Table of Contents

(5) to prepare the Company s profit distribution and loss recovery plans;

(6) to prepare the Company s financial policies, Company s registered capital increase or decrease plans, and schemes for issue and listing of the Company s bonds and securities of any kind (including but not limited to the Company s debentures) or repurchase of the Company s shares;

(7) to prepare plans for major acquisitions or disposals, and for the merger, division, dissolution or changing of the form of the Company;

(8) to decide on matters relating to foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted asset management and connected transactions by the Company within the scope of authority conferred by the general meeting;

(9) to decide the establishment of the Company s internal management bodies;

(10) to appoint or remove the Company s general manager; appoint or remove the Company s deputy general managers and chief financial officer according to the nomination by the general manager; appoint or remove the secretary of the Board; and determine their remuneration;

(11) to appoint or replace the members of the board of directors and the supervisory committee of the Company s wholly-owned subsidiaries; appoint, replace or recommend shareholder s proxies, directors (candidates) and supervisors (candidates) of the subsidiaries controlled or participated in by the Company by shareholding;

(12) to determine the establishment of the Company s branches;

(13) to prepare proposals for any amendment to the Articles;

(14) to formulate the Company s basic management rules and regulations;

(15) to manage the disclosure of information of the Company;

(16) to propose at the shareholders general meeting to engage or replace the accounting firm which undertakes auditing work of the Company;

(17) to listen to the work report of the Company s general manager and inspect the work of the general manager;

(18) to develop and review the Company s policies and practices on corporate governance;

(19) to review and monitor the training and continuous professional development of directors and senior management of the Company;

(20) to review and monitor the Company s policies and practices on compliance with legal and regulatory requirements;

(21) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors of the Company;

Table of Contents

(22) to make decisions about major matters and administrative affairs other than those which should be decided by the Company s general meeting in accordance with laws, administrative regulations and the Articles, and executing other important agreements; and

(23) other functions and powers stipulated by laws, administrative regulations or the Articles and granted by the shareholders general meeting.

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

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

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

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

Article 7 The board of directors shall examine and resolve on the matters which the board of directors is required by laws, administrative rules and the Articles of Association to submit to the shareholders general meeting for determination (including matters proposed by more than half of the independent directors).

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

Article 9 The powers and authorities of the Board regarding investments shall be as follows:

(1) The Board shall be responsible for examining the Company s medium- to long-term investment plans and submitting them to the shareholders general meeting for approval;

(2) The Board shall be responsible for examining the Company s annual investment plans and submitting them to the shareholders general meeting for approval. The Board may adjust the capital expenditure amount for the current year within 15% and may delegate the executive directors committee to adjust the capital expenditure amount of the current year within 8%;

(3) Individual investment projects (including but not limited to projects involving fixed assets and external equity) shall be examined and approved by the Board where the investment amount is not more than 5% of the Company s latest audited net asset value. The Board may, within the scope of its authority, delegate to the executive directors committee the authority to examine and approve any project with an investment amount less than RMB 50,000,000 and delegate the general manager to examine and approve any project less than RMB 5,000,000;

Table of Contents

(4) In the event that the Company utilizes its own assets to conduct risk investments (including, but not limited to, bonds, futures and shares) in any industry which is not related to the business of the Company, the Board shall examine and approve any such individual investment with an investment amount not more than 2% of the latest audited net assets value of the Company. The Board may, within the scope of its authority, delegate to the executive directors committee the authority to examine and approve any risk investment project less than RMB 50,000,000 and delegate to the authority general manager to examine and approve any risk investment project less than RMB 5,000,000.

Article 10 Power and authorities of the Board in relation to non-connected transactions:

(1) When entering into any non-connected transaction as referred to in the Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange not requiring the examination and approval of the Company s shareholders general meeting, the Company shall calculate the following five test indicators: (i) *total assets ratio*: derived from dividing the total value of the assets (the higher of the book value and the appraised valued, if both exist) involved in the transaction by the latest audited total assets value of the Company; (ii) *transaction value ratio*: derived from dividing the consideration of the transaction (taken into account the indebtedness and expenses borne) by the latest audited total net assets value of the Company; (iii) *profit ratio*: derived from dividing the absolute value of the profit derived from the transaction by the absolute value of the latest audited net profit of the Company; (iv) *ratio of income from principal operations*: derived from dividing the absolute value of the income derived from the relevant principal operations which is the subject of the transaction (such as equity) for the latest financial year by the absolute value of the income from principal operations of the Company for the latest financial year; (v) *ratio of net profit derived from the subject of the transaction*: derived from dividing the absolute value of the net profit for the latest financial year relating to the subject of the transaction by the absolute value of the audited net profit of the Company;

(2) The Board shall examine and approve any transaction of which the total assets ratio as set forth in (i) of paragraph (1) above is less than 50% but not less than 10%, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 1%, and shall authorize the general manager to examine and approve any transaction of which the ratio is less than 1%.

(3) The Board shall examine and approve any transaction of which the transaction value ratio as set forth in (ii) of paragraph (1) above is less than 50% and the absolute amount does not exceed RMB 50 million but not less than 10% and the absolute value of the transaction amount is not less than RMB 10 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the transaction amount is less than RMB 10 million and not less than RMB 5 million, and shall authorize the general manager to examine and approve any transaction falling below the above-mentioned level which requires the executive director committee to conduct an examination and approval.

Table of Contents

(4) The Board shall examine and approve any transaction of which the ratio of profit derived from the transaction as set forth in (iii) of item (1) above is less than 50% and the absolute amount does not exceed RMB 5 million but not less than 10% and the absolute value of the profit derived from the transaction is not less than RMB 1 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the profit derived from the transaction is less than RMB 1 million and not less than RMB 0.5 million, and shall authorize the general manager to examine and approve any transaction falling below the above-mentioned level which requires the executive director committee to conduct an examination and approval.

(5) The Board shall examine and approve any transaction of which the ratio of income from principal operations as set forth in (iv) of item (1) above is less than 50% and the absolute amount does not exceed RMB 50 million but not less than 10% and the absolute value of the transaction amount is not less than RMB 10 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the income from principal operations for the latest financial year of the subject of the transaction is less than RMB 10 million and not less than RMB 5 million, and shall authorize the general manager to examine and approve any transaction falling below the above-mentioned level which requires the executive director committee to conduct an examination and approval.

(6) The Board shall examine and approve any transaction of which the ratio of net profit derived from the subject of the transaction as set forth in (v) of item (1) above is less than 50% and the absolute amount does not exceed RMB 5 million but not less than 10% and the absolute value of the net profit from the subject of the transaction is not less than RMB 1 million, and shall authorize the executive director committee to examine and approve any transaction of which the ratio is less than 10% and not less than 5% or the absolute value of the net profit derived from the subject of the transaction is less than RMB 1 million and not less than RMB 0.5 million, and shall authorize the general manager to examine and approve any transaction falling below the above-mentioned level which requires the executive director committee to conduct an examination and approval.

Article 11 Limits on the power and authorities for decisions in relation to assets transactions:

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

Table of Contents

Article 12 Power and authorities in relation to connected transactions:

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

(2) With respect to any connected transaction as referred to in the Listing Rules Governing the Listing of Shares on the Shanghai Stock Exchange being entered into with connected natural persons not requiring to be voted upon and passed at the Shareholders General Meeting, the Company s board of directors shall approve any transaction with an amount of more than RMB 0.3 million, and shall authorize the executive director committee to examine and approve any transaction with an amount less than RMB 0.3 million.

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

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

(1) According to the annual investment plan approved by the shareholder s general meeting, the Board shall consider the amount of long-term loans for the current year and may authorize the executive directors committee to adjust the amount of long-term loans for the year approved by the Board within 10%.

(2) Within the total amount of the loans for working capital for the current year approved by the Board, the Board may authorize the executive directors committee to examine and approve any short-term loan contract for working capital with an amount of individual loan more than RMB 50,000,000 and may authorize the general manager to examine and approve any short-term loan contract for working capital with an amount of individual loan less than RMB 50,000,000.

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

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

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

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

Table of Contents

CHAPTER IV SECRETARY OF THE BOARD OF DIRECTORS

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

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

(1) organizing and arranging for the meetings of the Board and shareholders general meetings, preparing meeting materials, handling relevant meeting affairs, responsible for keeping minutes of the meetings and ensuring their accuracy and completeness, keeping meeting documents and minutes and taking initiative to keep abreast of the implementation of relevant resolutions. Any important issues occurring during the implementation shall be reported and relevant proposals shall be put forward to the Board.

(2) ensuring the material matters decided by the Board of the Company to be carried out strictly in accordance with the procedures as stipulated; at request of the Board, participating in the organization of consultation on and analysis of the matters to be decided by the Board and raise relevant opinions and suggestions; handling the day-to-day affairs of the Board and its committees as authorized.

(3) as the contact person of the Company with the securities regulatory authorities, responsible for organizing preparation and prompt submission of the documents required by the regulatory authorities, responsible for accepting tasks assigned by the regulatory authorities and organizing their implementation, and ensuring the Company to prepare and submit the reports and documents required by the competent authorities in accordance with the law.

(4) responsible for co-ordinating and organizing the Company s disclosure of information, establishing and perfecting the information disclosure system, participating in all of the Company s meetings involving the disclosure of information, and being aware of the Company s material operation decisions and related information in a timely manner.

(5) responsible for keeping the Company s price-sensitive information confidential and working out effectual and practical confidentiality system and measures; where there is any disclosure of the Company s price-sensitive information due to any reason, necessary remedial measures shall be taken, timely explanation and clarification shall be made, and relevant reports shall be submitted to the regulatory authorities in places where the shares of the Company are listed, and to the China Securities Regulatory Commission (hereinafter referred to as the CSRC).

Table of Contents

(6) responsible for co-ordinating and organizing market promotion, co-ordinating reception of visitors, handling the investor relations, keeping in touch with investors, intermediaries and news media, responsible for co-ordinating replies to inquiries from the public, and ensuring investors to obtain the information disclosed by the Company in a timely manner; organizing the preparation of the Company s onshore and offshore marketing and promotion activities, preparing summary reports on marketing and important visits, and organizing work in relation to the reports to the CSRC; establishing effectual communication channels between the Company and its shareholders (including assigning dedicated persons and/or departments), responsible for maintaining full and necessary contact with shareholders, and passing all feedback of shareholders, including their opinions and proposals, to the Board and management of the Company in a timely manner.

(7) ensuring the proper maintenance of the register of shareholders, responsible for handling and keeping the materials concerning register of shareholders, directors register, quantity of shares held by major shareholders and records of shares held by directors, as well as the name lists of the beneficiaries of the outstanding debentures of the Company.

(8) assisting directors and the president to conscientiously implement domestic and foreign laws, regulations, the Articles and other provisions and providing them with the relevant information (including but not limited to provision to the newly-appointed directors of the latest information on company governance issued by the Stock Exchange of Hong Kong Limited). Upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant regulations, has a duty to immediately warn the Board, and is entitled to report the facts of the related matters to CSRC and other regulatory authorities.

(9) co-ordinating the provision of relevant information necessary for the Company s supervisory committee and other audit authorities to discharge their duties; assisting in carrying out investigation on the performance by the chief financial officer, directors and the president of the Company of their fiduciary duties.

(10) ensuring that the complete constitutive documents and records of the Company are kept properly and the persons who have the rights of access to the relevant documents and records of the Company obtain those documents and records in a timely manner.

(11) exercising other functions and powers as conferred by the Board, as well as other functions and powers as required by the listing rules of the stock exchanges on which the Company s shares are listed.

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

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

CHAPTER V SYSTEM FOR BOARD OF DIRECTORS MEETINGS

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

Table of Contents

Article 22 Regular meetings shall include the following:

(1) Board meetings approving financial reports of the Company:

(i) Annual results meetings

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

(ii) Interim results meetings

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

(iii) Quarterly results meetings

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

(2) Year-end review meetings

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

Article 23 The chairman of the board of directors shall convene an extraordinary board of directors meeting within ten working days after receiving the relevant proposal in any one of the following events:

(1) shareholders representing not less than one-tenth of the voting rights requisition a meeting;

(2) not less than one-third of the directors together requisition a meeting;

(3) not less than one-half of the independent directors together requisition a meeting;

(4) the supervisory committee requisitions a meeting.

Article 24 The board of directors meetings shall be divided into meetings at which the directors may authorize other directors to attend on their behalf, according to whether the directors are physically present at the meetings.

Table of Contents

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

The chairman of the board of directors should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

Article 25 The board of directors meetings shall be divided into on-site meetings, video-telephone meetings and meetings by way of written resolutions.

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

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

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

CHAPTER VI PROCEEDINGS OF BOARD OF DIRECTORS MEETINGS

Article 26 Putting forward Motions

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

(1) matters proposed by the directors;

(2) matters proposed by the supervisory committee;

(3) motions from the special committees of the board of directors;

(4) matters proposed by the general manager.

Table of Contents

Article 27 Collecting Motions

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

Article 28 Convening Meetings

A board of directors meeting shall be convened by the chairman of the board of directors, who shall also sign and issue the notice convening the meeting, and the vice chairman shall assist the chairman in his work. If the chairman of the board of directors, without reason, does not convene the meeting, or is unable to convene the meeting due to special reasons, the meeting shall be convened by the vice chairman (If the Company has two or more vice chairmen, the meeting shall be convened by the vice chairman who is jointly elected by more than half of the directors.). If the vice chairman is unable to or does not convene the meeting, the meeting shall be convened by the director who is jointly elected by more than half of the directors. The convenor of the meeting shall be responsible for signing and the issuing the notice of the meeting.

Article 29 Notice of Meetings

(1) The notice of a board of directors meeting shall be delivered to all directors, supervisors or other personnel attending the meeting before the date of the meeting. The notice of the meeting shall generally set out the following:

(i) the time and place of the meeting;

(ii) the duration of the meeting;

(iii) the agenda, subject matter, resolutions and relevant board papers and materials;

(iv) the date of the issue of the notice.

(2) Board of directors meetings shall be notified according to the following requirements and form:

(i) Where the board of directors have set the time and place of regular board of directors meetings, there is no need for notice of the meeting to be delivered.

(ii) Where the board of directors have not set the time and place of the board of directors meetings, the board of directors shall serve notice of the time and place of the meeting on the directors by electronic means, telegraph, facsimile, courier or registered post or personal service, at least fourteen (14) days before the meeting.

(iii) The notice shall be written in Chinese and an English version can be attached if necessary and shall include the agenda of the meeting.

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

Table of Contents

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

Article 30 Communication before Meetings

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

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

Article 31 Attendance at Meetings

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

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

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

The board of directors meeting shall be chaired by the chairman of the board of directors. The vice chairman shall assist the chairman in his work. If the chairman of the board of directors, without reason, does not chair the meeting, or is unable to chair the meeting due to special reasons, the meeting shall be chaired by the vice chairman (If the Company has two or more vice chairmen, the meeting shall be chaired by the vice chairman who is jointly elected by more than half of the directors). If the vice chairman is unable to or does not chair the meeting, the meeting shall be chaired by a director who is jointly elected by more than half of the directors.

Table of Contents

Article 32 Considering the Motions

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

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

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

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

(1) the nomination, appointment and dismissal of senior officers;

(2) the appointment and dismissal of senior officers;

(3) the remuneration of the directors and senior officers of the Company;

(4) existing or new loans made by the Company to its shareholders, the person in effective control of the Company or the associated enterprises of the Company or other transfer of funds between them, the amounts of which are equivalent to or exceed the relevant thresholds of the Company s material connected transactions which must be approved by the board of directors and shareholders general meeting (which shall be determined in accordance with the standard promulgated from time to time by the authorized regulatory bodies) which must be examined by the board of directors or shareholders general meeting according to law, and whether the Company has taken effective measures to recover such debts;

(5) any matters which the independent directors consider to be material to the interests of minority shareholders.

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

(1) agree;

(2) opinion reserved and reasons therefor;

(3) oppose and reasons therefor;

(4) no opinion can be expressed and the obstacles.

Table of Contents

Article 33 Voting on Motions

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

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

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

Regarding the resolutions to be passed by the board of directors, except for the following matters the resolutions of which shall be passed by the consent of more than two-thirds of the directors, other matters shall be passed with the consent of more than one-half of the directors (provided that, where any guarantee is to be provided to any external party, the resolution shall be passed by the consent of more than two-thirds of the directors):

(1) plans for formulating the financial policies of the Company, the increase or reduction of the registered capital of the Company and the issuance of securities of any kind (including, without limitation, debentures of the Company) and their listing, and any repurchase of the shares of the Company;

(2) plans for formulating significant acquisition or disposal, and plans for merger, division, dissolution or change of the form of the Company;

(3) plans for formulating amendments to the Company s Articles of Association.

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

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

If a director is affiliated to a matter to be resolved on at a board of directors meeting, such director shall not exercise its voting right on the resolution, nor shall such director exercise the voting right of any other director as the latter s proxy. The board of directors meeting may be held if more than half of the unaffiliated directors are present, and the resolution adopted at the board of directors meeting shall be passed only with the consent of more than half of the unaffiliated directors who are present. If the number of unaffiliated directors present at the board of directors meeting is less than three, the matter shall be submitted to the shareholders general meeting for discussion and approval.

Table of Contents

Article 34 Responsibilities of directors for board resolutions

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

Article 35 Resolutions of the Meeting

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

A resolution on the Company s connected transactions shall not be valid until it has the consent of all independent directors.

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

Article 36 Minutes of the Meetings

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

(1) the date, place, names of the convenors and chairman of the meeting;

(2) the names of the attending directors and the names of those persons present, the names of appointing directors and their attorneys;

(3) the agenda of the meeting;

(4) the essential points of the directors presentations (for a meeting by written resolution, the version containing the directors feedback in writing shall prevail);

(5) the voting methods and outcome for each proposal (the outcome of the voting shall set out the respective number of assenting or dissenting votes or abstentions);

(6) the directors signatures.

Table of Contents

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

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

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

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

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

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

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

(1) formulation of the Company s annual preliminary and final budgets;

(2) formulation of Company s profit distribution plans and plans for making up losses;

(3) increase or reduction of the registered capital of the Company and issue of debentures or other securities of the Company and their listing, and any repurchase of the shares of the Company;

(4) formulation of plans for merger, division, dissolution or change of the form of the Company;

(5) formulation of plans for any amendment to the Articles of Associations; and

(6) any proposal to be submitted to the shareholders general meeting for the appointment or replacement of an accounting firm auditing the accounts of the Company.

Table of Contents

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

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

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

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

CHAPTER IX SUPPLEMENTAL PROVISIONS

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

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

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

Table of Contents

RULES OF PROCEDURE FOR

SUPERVISORY COMMITTEE MEETINGS

CHAPTER I GENERAL PRINCIPLES

Article 1 In order to safeguard the interests of the shareholders and employees of Sinopec Shanghai Petrochemical Company Limited (hereinafter referred to as the Company) and improve the Company s internal supervision and control mechanisms, these Rules governing the work of the Supervisory Committee of this Company are hereby formulated in accordance with the laws and regulations governing the listed companies within and outside China, including the Company Law of the People s Republic of China (hereinafter referred to as the Company Law), the Securities Law of the People s Republic of China, the Provisional Regulations on Supervisory Committees of State Enterprises, the Mandatory Provisions in the Articles of Association of Companies Listed Overseas, the Guidelines on the Articles of Association of Listed Companies and Standards on Corporate Governance for Listed Companies, and with the reference to the Opinions on Further Promoting Standardised Operation of Reform of Companies Listed Overseas stipulated by the State Economic and Trade Commission and China Securities Regulatory Commission and the Articles of the Association of the Company (the Articles of Association).

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

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

CHAPTER II COMPOSITION OF THE SUPERVISORY COMMITTEE

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

Article 4 The supervisors who are not employee representatives shall be elected and removed at a shareholders meeting. The supervisors who are employee representatives in the Supervisory Committee shall be democratically elected and removed at the employee representative meeting.

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

Article 5 Qualifications for supervisors

(1) A supervisor should be familiar with and able to perform and implement the relevant national laws, administrative regulations and rules and systems;

(2) A supervisor should have professional knowledge of financial, accounting, auditing or macro economic matters, and have an proper understanding of the Company s operations and management;

Table of Contents

(3) A supervisor should comply with the law, uphold principles, be honest and self-disciplined, loyal to his duties, impartial, and be able to maintain confidentiality;

(4) A supervisor should have a relatively strong ability of comprehensive analysis and judgement, and be capable of working independently;

(5) A supervisor should be able to protect the interests of investors, with a strong sense of responsibility to preserve and increase the value of the Company s assets.

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

A person shall be disqualified from being a supervisor of the Company if any of the circumstances stipulated in Article 176 of the Articles of Association applies.

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

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

CHAPTER III POWERS, RESPONSIBILITIES AND OBLIGATIONS OF THE SUPERVISORY COMMITTEE

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

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

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

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

Table of Contents

(4) to supervise directors and other senior officers of the Company in relation to their performance of duties as to whether they are involved in any of the following activities in violation of laws, regulations or the Articles of Association of the Company and to propose removal of a director or a senior officer who is in violation of laws, administrative regulations, the Articles of Association or resolutions passed at a general meeting of shareholders:

(i) by taking advantage of his office power, taking bribes or other illegal income or illegally taking possession of the assets of the Company;

(ii) misappropriating the funds of the Company, or lending the funds of the Company to other persons;

(iii) depositing the assets of the Company in an account under an individual s name or in any other names;

(iv) using the assets of the Company to provide guarantees for a shareholder of the Company or for any other individual s debts;

(v) engaging in any activity which may jeopardise the interests of the Company on his own account or for any other person; or

(vi) divulging commercial secrets of the Company.

(5) to request directors or senior officers to make rectification when their acts harm the interests of the Company;

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

(7) to propose the convening of extraordinary general meetings, and to convene and preside over the shareholders general meetings when the board of directors does not perform its duties in accordance with the provisions of the Company Law to convene or preside over the shareholders general meetings;

(8) to propose motions to the shareholders general meeting;

(9) to propose the convening of extraordinary board of directors meetings;

(10) on behalf of the Company, to negotiate with the directors or senior officers or litigate against the directors or senior officers;

(11) To carry out investigation when any abnormality is found in the operation of the Company, and, where necessary, engage a professional institution, such as an accounting firm or a law firm, to assist in the work at the expense of the Company;

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

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

(1) to convene and preside over the meetings of the Supervisory Committee;

(2) to inspect the implementation of resolutions of the Supervisory Committee;

(3) to examine and sign the reports of the Supervisory Committee and other important documents;

(4) on behalf of the Supervisory Committee, to report to the shareholders general meeting on its work; and

Table of Contents

(5) other powers which shall be performed by the Chairman of the Supervisory Committee.

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

(1) to issue a written notice demanding correction;

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

(3) to appoint qualified external accountants firm, audit firm, law firm or other professional institutions to verify and collect evidence;

(4) to propose to convene any extraordinary shareholders general meeting;

(5) to make a report or explanation to the relevant State regulatory institutions or judicial authorities; or

(6) to initiate proceedings against the directors and senior officers in accordance with section 152 of the Company Law.

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

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

(2) faithfully perform the supervisory duty and safeguard the interests of the Company, and not seek personal interests for himself or for any other person by taking advantage of his position and office power in the Company, nor take bribes or any other illegal incomes or illegally take possession of assets of the Company;

(3) except in accordance with the law or as approved by the shareholders general meeting, may not disclose the Company s secrets;

(4) be responsible for the authenticity and legitimacy of the contents of the report to the shareholders general meeting or the supervisory documents; and

(5) strengthen the study of the laws, regulations, policies and business, pay attention to investigation and research, and improve their professional ability.

Table of Contents

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

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

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

(1) to review the annual, interim and quarterly financial statements of the Company, and present the Supervisory Committee s analysis and recommendation from the points of view of enterprise operation risks, standardised operation, effective management and asset loss, etc.;

(2) to focus on the assessment of the performance of the Company s budget, operation of the assets, implementation of material investment decisions, asset quality of the Company and preservation of and increase in the value of the Company s assets, etc.; and

(3) to discuss the work report of the Supervisory Committee, amendment to important systems, work plan and summaries of its work.

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

(1) where the Company has suffered or is suffering material asset flight, causing damages to the interests of the shareholders, but the Board fails to take measures in a timely manner;

(2) where any director or senior officer of the Company violates laws, administrative regulations or the Articles of Association of the Company, causing material damage to the interests of the Company;

(3) where it is necessary to conduct investigation of any specific matter of the Company, or it is necessary to invite the Board and management to provide relevant reports or explanations;

(4) where the Supervisory Committee considers it necessary to appoint any external accountant or law firm to issue professional opinions in respect of certain material matters subject to supervision;

(5) where the Supervisory Committee considers it necessary to convene an interim meeting.

Article 16 Notice of the time and place of a Supervisory Committee meeting and major items recommended for discussion should be given to supervisors ten days prior to the date of meeting, either by telegraph, electronic transmission, facsimile, courier or registered post. When convening an extraordinary meeting, oral or written notice may be given three days prior to the meeting.

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

Table of Contents

Article 17 A notice of the supervisory committee shall include the following:

(1) the date, venue and duration of the meeting;

(2) the cause for convening the meeting and its agenda;

(3) the date of the notice.

Article 18 Meetings of the Supervisory Committee should be attended by at least two-thirds (inclusive) of the supervisors. Meetings shall be chaired by the Chairman of the Supervisory Committee. If for some reason the Chairman is unable to attend, he should appoint another supervisor to chair the meeting.

Article 19 Supervisors shall attend meetings as scheduled, and fully express their opinions on the resolutions and matters for discussion, and indicate their own attitude. If for some reason a supervisor is unable to attend a meeting, he may authorize another supervisor to act as a proxy and exercise his powers on his behalf. Such written authorization shall state the name of the proxy, the matters in respect of which he is authorized, the authority of the proxy and the period of validity, and shall be signed or bear the seal of the person appointing the proxy. This will be deemed to be an attendance at that meeting by the supervisor so represented. The Supervisory Committee shall propose at a shareholders meeting or trade union representatives meeting for the removal of a Supervisor who, without reasons, fails to attend in person two consecutive Supervisory Committee meetings and fails to nominate another supervisor to act on his behalf.

Article 20 In considering or discussing a resolution or report, the Supervisory Committee may invite related experts, members of the board of directors, senior officers, or internal and external audit personnel to attend the meeting as non-voting attendees to make such explanation on related matters as necessary and to answer questions put up by the Supervisory Committee.

Non-voting attendees at the meeting have the right to express their opinion in respect of certain matters, but have no right to vote.

Article 21 Resolutions of the Supervisory Committee shall be voted by ballot, either by poll or on a show of hands. Each supervisor shall be entitled to one vote. All resolutions shall be passed by more than two-thirds of the supervisors to be effective.

Article 22 When the Supervisory Committee makes a resolution, where the matter falls within the scope of responsibility of the general manager, the general manager shall be responsible for implementation and shall report on such implementation in a timely manner to the Supervisory Committee. When the Supervisory Committee is not in session, he may report to the Chairman of the Supervisory Committee. Matters that do not fall within the scope of responsibility of the general manager, the Supervisory Committee shall organise implementation by the relevant department and receive their reports.

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

Article 23 Minutes shall be recorded of meetings of the Supervisory Committee, and shall be signed by the supervisors attending the meeting and the officer recording the minutes. Supervisors have the right to record explanations regarding their speeches at the meetings.

Article 24 After a meeting of the Supervisory Committee has been held, a summary of the meeting must be prepared, and retained for six years together with the minutes and resolutions as records of the Supervisory Committee.

Article 25 When the Supervisory Committee is exercising its supervising powers, it may not act on behalf of the board of directors or general manager, and may not carry on any business activities on behalf of the Company.

Table of Contents

CHAPTER V INCENTIVES AND SANCTIONS

Article 26 A Supervisor shall be held liable for any contravention of the laws, rules and regulation if the Supervisor knows of such contravention but did nothing to stop it.

Article 27 If the Company suffers from losses as a result of a Supervisor breaching the laws, rules and regulation or the Articles of Association, the Supervisor shall be liable for the losses.

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

Article 28 If the achievements of members of the Supervisory Committee in carrying out their work are outstanding, and make a significant contribution to the rights and interests of the Company and the shareholders, the shareholders general meeting may grant them a bonus.

Article 29 In any of the following cases, based on the severity of the particular circumstances, the Supervisory Committee shall propose at a shareholders meeting or trade union democratic management authority for the removal of a Supervisor in accordance with the law, rules and regulations and the Articles of Association. Where this constitutes criminal behaviour, criminal liability will be pursued by judicial organs in accordance with the law:

(1) concealing major breaches of the law or regulation by the Company, or gross dereliction of duty in relation thereto;

(2) preparing a false report in relation to the Company s financial situation;

(3) behaviour in breach of Article 12 of these Rules (except for Article 12(5) of these Rules).

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 30 The Supervisory Committee of the Company has guiding responsibility for the work of the supervisory committees of the Company s subsidiaries (including controlled companies). When necessary it may organise a financial investigation group of the Supervisory Committee Office to carry out an investigation of the financial situation of subsidiaries.

Article 31 The Company shall provide the necessary working conditions for the Supervisory Committee, shall bear all expenses arising from the work of the Supervisory Committee.

Article 32 These Rules shall come into effect upon being passed by the shareholders general meeting. Any amendments to these Rules shall be proposed by the Supervisory Committee and submitted to the shareholders general meeting for approval. The right to interpret these Rules shall vest with the Supervisory Committee.

font-size:10pt; font-family:Times New Roman" ALIGN="center">138

be declared before closing (but with payment contingent on the closing having occurred). It is therefore possible that the IRS could take the position that the special dividend is not eligible for the preferential rates applicable to qualified dividend income because it is not paid with respect to shares of a qualified foreign corporation. Non-corporate U.S. holders should consult their tax advisors regarding the classification of the special dividend as a dividend and the eligibility of the special dividend for the preferential rates applicable to qualified dividend income. In any event, the special dividend will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code.

Passive Foreign Investment Company

In general, a foreign corporation will be treated as a PFIC during a given year if (i) 75% or more of its gross income constitutes passive income or (ii) 50% or more of its assets produce (or are held for the production of) passive income. For purposes of the PFIC determination, a non-U.S. corporation is generally treated as owning a proportionate share of the assets and income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the corporation s shares. Passive income generally includes interest, dividends, annuities and other investment income. The PFIC statutory provisions, however, contain an express exception for income derived in the active conduct of an insurance business by a corporation which is predominantly engaged in an insurance business. PartnerRe has indicated in public filings that it does not believe that it is, or ever has been, a PFIC. However, the determination of PFIC status is factual in nature, depends on the application of complex U.S. federal income tax rules that are subject to differing interpretations, and generally cannot be determined until the close of the taxable year in question. Further, PartnerRe s counsel has not made any determination regarding the PFIC status of PartnerRe for any taxable year. Accordingly, there can be no assurance that PartnerRe is or was not a PFIC for its current or any prior taxable year.

If PartnerRe were a PFIC for the taxable year of the merger or any prior taxable year in which the U.S. holder held PartnerRe common shares, unless the U.S. holder had made a valid mark-to-market election with respect to their PartnerRe common shares, any gain recognized by a U.S. holder on the exchange of PartnerRe common shares for the merger consideration pursuant to the merger generally would be allocated ratably over such U.S. holder s holding period for the PartnerRe common shares. The amount allocated to the taxable year of the merger and to any taxable year before PartnerRe became a PFIC would be treated as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that year and the interest charge generally applicable to underpayments of tax would be imposed on the resulting tax attributable to such year. If the U.S. holder had made a valid mark-to-market election with respect to their PartnerRe common shares, any gain recognized by the U.S. holder would be treated as ordinary income and any loss would be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

If PartnerRe is a PFIC for the taxable year of the merger or has been a PFIC during any prior year in which a U.S. holder held PartnerRe common shares, a U.S. holder generally would be required to file IRS Form 8621 with respect to the PartnerRe common shares. The PFIC rules are complex, and each U.S. holder should consult their own tax advisors regarding the classification of PartnerRe as a PFIC, and the effect of the PFIC rules on such U.S. holder.

Tax Consequences to U.S. Holders of PartnerRe Preferred Shares

Tax Consequences of the Merger

The continuation of PartnerRe preferred shares as preferred shares of the surviving company will not be a taxable event for U.S. federal income tax purposes. Except with respect to the contingent cash payment, U.S. holders of PartnerRe preferred shares will not recognize any income, gain or loss upon the continuation of their PartnerRe

preferred shares as preferred shares of the surviving company, and will retain an adjusted tax basis and holding period in their surviving company preferred shares equal to the adjusted tax basis and holding period such U.S. holder had in their PartnerRe preferred shares prior to the merger.

Table of Contents

Tax Consequences of the Contingent Cash Payment

As described above in the section of this proxy statement titled *Questions and Answers About the Merger and Special General Meeting What are the terms and conditions of the proposed exchange offer for the PartnerRe preferred shares?*, if PartnerRe does not obtain a ruling from the IRS prior to the closing date of the merger, at or as soon as reasonably practicable following the effective time, Parent Guarantor will make the contingent cash payment. To the extent that PartnerRe is required to take a position as to the treatment of the contingent cash payment, PartnerRe intends to treat the payment as ordinary income (and not as the merger consideration or a dividend) for U.S. federal income tax purposes, taxable to U.S. holders of PartnerRe preferred shares at the time such payment is accrued or received, in accordance with the U.S. holder s method of tax accounting. U.S. holders of PartnerRe preferred shares should consult their tax advisors regarding the U.S. federal income tax treatment of the contingent cash payment.

Tax Consequences of the Agreement to Enter into the Exchange Offer and Alternate Exchange Offer

The merger agreement also provides that if PartnerRe does not obtain a ruling prior to the closing date of the merger, the surviving company shall use its commercially reasonable efforts to launch the alternate exchange offer pursuant to which each of the preferred shareholders of the surviving company who tender their preferred shares of the surviving company will receive the alternate exchange securities. In anticipation of the exchange offer, or, if no ruling is obtained, the alternate exchange offer, at or as reasonably practicable following the effective time, Parent will use commercially reasonable efforts to obtain opinions of Paul Weiss to the effect that none of the transactions to be consummated pursuant to the merger agreement, including, if no ruling is obtained, the alternate exchange offer, will result in preferred shares of the surviving company being treated as fast-pay stock for U.S. federal income tax purposes. Paul Weiss confirmed on August 2, 2015, the date the merger agreement was signed, that if PartnerRe were its client and the transactions had closed and the alternate exchange offer was launched on the signing date, it would have been prepared to deliver a tax opinion to holders of PartnerRe preferred shares that the alternate exchange securities will not be treated as fast-pay stock for U.S. federal income tax purposes.

PartnerRe requested a ruling on September 8, 2015, but there can be no assurance that the IRS will grant one, and opinions of counsel are not binding on the IRS. It is possible if the IRS does not grant a ruling or if a ruling is obtained, depending on its scope, that the IRS will take the position that the preferred shares of the surviving company held by holders of PartnerRe preferred shares following the merger, or the alternate exchange securities received by holders of surviving company preferred shares in the alternate exchange offer, are fast-pay stock for U.S. federal income tax purposes. Although PartnerRe does not believe that it is likely that such preferred shares or alternate exchange securities would be characterized as fast-pay stock based on the relevant facts and circumstances, if the preferred shares of the surviving company are treated as fast-pay stock, all U.S. holders of preferred shares of the surviving company, including U.S. holders that do not participate in the alternate exchange offer, may be required under applicable Treasury Regulations to file a disclosure statement (IRS Form 8886 or successor form) with their U.S. federal income tax returns identifying their participation in a prohibited tax shelter transaction and to mail a copy of such form to the IRS Office of Tax Shelter Analysis. Failure to comply with these disclosure requirements may result in onerous penalties. Material advisors to a transaction that is treated as a fast-pay arrangement are also required to file a disclosure statement with the IRS, and can be subject to onerous fee disgorgement penalties for failure to comply. In light of these onerous fee disgorgement penalties, and depending on the outcome of PartnerRe s request for a ruling from the IRS, as discussed above under the section of this proxy statement titled *Questions and Answers About the Merger and Special Meeting What are the terms and conditions of the proposed exchange offer for the PartnerRe preferred shares?*, certain material advisors to PartnerRe and Parent Guarantor are likely to file protective disclosure statements with the IRS to avoid the risk of penalties. All U.S. holders of PartnerRe preferred shares are urged to consult their tax advisors as to the U.S. federal income tax consequences of the arrangements described herein, including as to the advisability of protectively filing disclosure statements with the IRS.

140

Table of Contents

Backup Withholding and Information Reporting

A U.S. holder may be subject to information reporting and backup withholding with respect to the amount of cash received in the merger, including the special dividend received by U.S. holders of PartnerRe common shares, and the contingent cash payment, if any, received by U.S. holders of PartnerRe preferred shares. A U.S. holder may be subject to backup withholding unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact or provides a taxpayer identification number, makes certain certifications on IRS Form W-9, or otherwise complies with the applicable requirements. A U.S. holder that does not provide its correct taxpayer identification number may also be subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules will be allowed as a refund or credit against the holder s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

SHAREHOLDER PROPOSALS

The PartnerRe board of directors has not yet set a date for the 2015 annual general meeting of shareholders. Shareholder proposals intended to be presented at the 2015 annual general meeting of shareholders, once the date for the meeting has been set, must be received by PartnerRe no earlier than ninety days prior to such annual general meeting of shareholders and no later than the later of sixty days prior to such annual general meeting of shareholders or the tenth day following the day on which public announcement of the date of the meeting was first made by PartnerRe.

HOUSEHOLDING OF THE PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those shareholders. As permitted by the Exchange Act, only one copy of this proxy statement is being delivered to shareholders residing at the same address, unless shareholders have notified the company whose shares they hold of their desire to receive multiple copies of this proxy statement. This process, which is commonly referred to as householding, potentially provides extra convenience for shareholders and cost savings for companies.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of this proxy statement and wish to receive only one, please contact PartnerRe at the address identified below. PartnerRe will promptly deliver, upon oral or written request, a separate copy of this proxy statement to any shareholder residing at an address to which only one copy was mailed. Requests for additional copies should be directed to PartnerRe at its address below.

WHERE YOU CAN FIND MORE INFORMATION

PartnerRe files annual, quarterly and special reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any reports, statements or other information that PartnerRe files with the SEC at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at +1 (800) SEC-0330 for further information on the operation of the public reference room. These SEC filings are also available to the public from the Internet website maintained by the SEC at http://www.sec.gov.

If you are a PartnerRe shareholder, some of the documents previously filed with the SEC may have been sent to you, but you can also obtain any of them through PartnerRe, the SEC or the SEC s Internet website as

Table of Contents

described above. Documents filed with the SEC are available from PartnerRe without charge, excluding all exhibits, except that, if PartnerRe has specifically incorporated by reference an exhibit in this proxy statement, the exhibit will also be provided without charge.

You may obtain documents filed by PartnerRe with the SEC by requesting them in writing or by telephone from the following addresses:

PartnerRe Ltd.

Attention: Secretary and Corporate Counsel

Wellesley House South

90 Pitts Bay Road

Pembroke HM 08, Bermuda

+1 (441) 292-0888

If you would like to request documents, in order to ensure timely delivery, you must do so at least five business days before the date of the applicable special general meeting. This means you must request this information no later than November 12, 2015 if you are a PartnerRe shareholder. PartnerRe will mail promptly requested documents to requesting shareholders by first-class mail, or another equally prompt means.

You can also get more information by visiting PartnerRe s website at www.partnerre.com.

Materials from this website and other websites mentioned in this proxy statement are not incorporated by reference into this proxy statement. If you are viewing this proxy statement in electronic format, each of the URLs mentioned in this proxy statement is an active textual reference only.

The SEC allows PartnerRe to incorporate by reference information in this proxy statement, which means that PartnerRe can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement, except for any information that is superseded by information included directly in this proxy statement.

The documents listed below that PartnerRe has previously filed with the SEC are incorporated by reference into this proxy statement. They contain important business and financial information about PartnerRe:

Annual Report on Form 10-K	For the fiscal year ended December 31, 2014, filed with the SEC on: February 26, 2015.
Quarterly Reports on Form 10-Q	For the quarter ended March 31, 2015, filed with the SEC on May 4, 2015 and for the quarter ended June 30, 2015, filed with the SEC on July 31, 2015.
Current Reports on Form 8-K	

Filed with the SEC on: September 15, 2015, September 9, 2015, September 2, 2015, August 3, 2015, July 27, 2015, July 22, 2015, July 21, 2015, July 20, 2015, July 16, 2015, July 13, 2015, July 10, 2015, July 7, 2015, June 30, 2015, June 24, 2015, June 23, 2015, June 22, 2015, June 18, 2015, June 17, 2015, June 8, 2015, June 5, 2015, June 3, 2015, June 1, 2015, May 27, 2015, May 22, 2015, May 20, 2015, May 13, 2015, May 6, 2015, May 4, 2015, April 27, 2015, April 14, 2015, April 1, 2015, March 25, 2015, March 11, 2015, February 17, 2015, February 4, 2015, January 30, 2015, January 29, 2015 (two filings) and two filings on January 26, 2015 (other than the portions of those documents not deemed to be filed).

Table of Contents

The description of PartnerRe common shares contained in its Registration Statement on Form S-3, as amended or supplemented for the purpose of updating the description	Filed with the SEC on: April 3, 2015.

PartnerRe also hereby incorporates by reference any additional documents that PartnerRe may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this proxy statement to the date of the special general meeting. Nothing in this proxy statement shall be deemed to incorporate information furnished but not filed with the SEC.

PartnerRe has supplied all of the information contained or incorporated by reference into this proxy statement relating to PartnerRe and Parent has supplied all of the information contained or incorporated by reference into this proxy statement relating to Parent, Merger Sub and Parent Guarantor.

In the event of conflicting information in this proxy statement in comparison to any document incorporated by reference into this proxy statement, or among documents incorporated by reference, the information in the latest filed document controls.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT IN DECIDING HOW TO VOTE YOUR PARTNERRE COMMON OR PARTNERRE PREFERRED SHARES. PARTNERRE HAS NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT DIFFERS FROM THAT CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED SEPTEMBER 25, 2015. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO PARTNERRE SHAREHOLDERS SHALL NOT CREATE ANY IMPLICATION TO THE CONTRARY.

This proxy statement contains a description of the representations and warranties that PartnerRe, on the one hand, and Parent, Merger Sub and Parent Guarantor, on the other hand, have made to the other in the merger agreement. Representations and warranties made by the applicable parties are also set forth in contracts and other documents (including the merger agreement) that are attached or filed as Annexes to this proxy statement or are incorporated by reference into this proxy statement. These materials are included or incorporated by reference only to provide you with information regarding the terms and conditions of the agreements, and not to provide any other factual information regarding PartnerRe, Parent, Merger Sub and Parent Guarantor or their respective businesses. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the other information provided elsewhere in this proxy statement or incorporated by reference into this proxy statement.

Table of Contents

Annex A

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

EXOR N.V.,

PILLAR LTD.,

PARTNERRE LTD.

AND

SOLELY WITH RESPECT TO SECTIONS 4.01 to 4.05, SECTION 6.13 AND

SECTION 9.13, EXOR S.p.A.

Dated as of August 2, 2015 (as subsequently amended)

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this **Agreement**) is made and entered into as of August 2, 2015, by and among Exor N.V., a Dutch public limited liability company (*naamloze vennootschap*) (**Parent**), Pillar Ltd., a Bermuda exempted company and a wholly owned subsidiary of Parent (**Merger Sub**), PartnerRe Ltd., a Bermuda exempted company (**PRE**), and solely with respect to Sections 4.01 to 4.05, 6.13 and Section 9.13 , EXOR S.p.A., a *società per azioni* organized under the laws of the Republic of Italy (**Parent Guarantor**). PRE, Parent, Merger Sub, and solely with respect to Sections 4.01 to 4.05, 6.13 and Section 9.13, Parent Guarantor, are collectively referred to herein as the **parties.**

W I T N E S S E T H:

WHEREAS, the Board of Directors of Parent (the **Parent Board**), the Board of Directors of Merger Sub (the **Merger Sub Board**) and the Board of Directors of PRE (the **PRE Board**) have determined that a business combination between Merger Sub and PRE is in the best interest of their respective companies and accordingly have determined to effect a business combination upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, it is proposed that Merger Sub will merge with and into PRE (the **Merger**) with PRE continuing as the surviving company in the Merger (the **Surviving Company**), upon the terms and subject to the conditions of this Agreement and a statutory merger agreement in a form to be agreed between the parties (the **Statutory Merger Agreement**), and in accordance with the Companies Act 1981 of Bermuda, as amended (the **Companies Act**);

WHEREAS, the Parent Board, the Merger Sub Board and the PRE Board have unanimously: (i) determined that the Merger is advisable and fair to, and in the best interests of, Parent, Merger Sub and PRE, respectively; and (ii) approved and adopted this Agreement, the Statutory Merger Agreement and the Transactions;

WHEREAS, that certain Agreement and Plan of Amalgamation dated as of January 25, 2015 as amended (the **AXIS Agreement**) between AXIS Capital Holdings Limited (**AXIS**) and PRE has been terminated in accordance with its terms prior to the execution and delivery of this Agreement by PRE; and

WHEREAS, in connection with such termination pursuant to an agreement dated as of the date hereof between AXIS and PRE (the **AXIS Termination Agreement**), PRE has agreed to pay to AXIS in cash $315,000,000 (the **AXIS Termination Fee**) in full satisfaction of all of PRE s remaining obligations under the AXIS Agreement.

NOW, THEREFORE, in consideration of these premises and the representations, warranties, covenants and agreements contained in this Agreement, the parties, intending to be legally bound, agree as follows:

ARTICLE 1

THE MERGER

Section 1.01. *The Merger; Effective Time*. Upon the terms and subject to the conditions set forth in this Agreement and the Statutory Merger Agreement, Merger Sub and PRE will cause an application for registration of the Surviving Company (the **Merger Application**) to be prepared, executed and delivered to the Registrar of Companies in Bermuda (the **Registrar**) as provided under S.108 of the Companies Act on or prior to the Closing Date and will cause the Merger to become effective pursuant to the Companies Act. The Merger shall become effective upon the issuance of a certificate of merger (the **Certificate of Merger**) by the Registrar or such other time as the Certificate of Merger may provide. The parties agree that they will request the Registrar provide in the Certificate of Merger that the

Effective Time will be 9:00 a.m., New York City time, on the Closing Date (the **Effective Time**).

Table of Contents

Section 1.02. *Closing*. Subject to the terms and conditions of this Agreement, the closing of the Merger (the **Closing**) will take place at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP (**Paul, Weiss**), 1285 Avenue of the Americas, New York, New York, at 11:00 a.m., New York City time, on the date (the **Closing Date**) that is the third Business Day after the day on which the last of those conditions (other than any conditions set forth in Article 7 that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) is satisfied or waived in accordance with this Agreement, or at such other place and time or on such other date as Parent and PRE may agree in writing. When any condition is first satisfied after 11:00 a.m. New York City time on any day, that condition shall be deemed to have been first satisfied at 8:00 a.m. New York City time on the immediately succeeding Business Day for purposes hereof.

Section 1.03. *Effects of the Merger.* As of the Effective Time, subject to the terms and conditions of this Agreement and the Statutory Merger Agreement, Merger Sub shall merge with and into PRE and the separate corporate existence of Merger Sub shall thereupon cease and the Surviving Company shall continue as the Surviving Company after the Merger. The parties acknowledge and agree that for purposes of Bermuda Law: (x) the Merger shall be effected so as to constitute an "merger" in accordance with S.104H of the Companies Act; and (y) the Surviving Company shall be deemed to be a "surviving company" as such term is understood under the Companies Act. Under the Companies Act, from and after the Effective Time: (a) the merger of Merger Sub with and into PRE and the vesting of their undertaking, property and liabilities in the Surviving Company shall become effective; (b) the property of each of Merger Sub and PRE shall become the property of the Surviving Company; (c) Surviving Company shall continue to be liable for the obligations and liabilities of each of Merger Sub and PRE; (d) any existing cause of action, claim or liability to prosecution shall be unaffected; (e) a civil, criminal or administrative action or proceeding pending by or against Merger Sub or PRE may be continued to be prosecuted by or against Surviving Company; and (f) a conviction against, or ruling, order or judgment in favor of or against, Merger Sub or PRE may be enforced by or against Surviving Company.

Section 1.04. *Surviving Company Memorandum of Association and Bye-Laws.*

(a) The memorandum of association of PRE immediately prior to the Effective Time shall be the memorandum of association of the Surviving Company until thereafter changed or amended as provided therein or pursuant to applicable law; and

(b) The bye-laws of the Surviving Company shall be in the form of the bye-laws of Merger Sub in effect immediately prior to the Effective Time until thereafter changed or amended as provided therein or pursuant to applicable law.

Section 1.05. *Governance; Directors and Officers.*

(a) The parties shall take all actions necessary to cause the Merger Sub Board at the Effective Time to constitute the full Surviving Company board of directors from and after the Effective Time to serve until the earlier of their resignation or removal or until their respective successors are duly elected or appointed in accordance with the Bye-Laws of the Surviving Company.

(b) The parties shall take all actions necessary to cause the officers of PRE at the Effective Time to constitute the officers of the Surviving Company from and after the Effective Time until their respective successors are duly elected or appointed in accordance with the Bye-Laws of the Surviving Company.

Table of Contents

ARTICLE 2

CONVERSION OF SECURITIES

Section 2.01. *Effect on Share Capital*. Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of the holders of any share capital of Merger Sub or PRE:

(a) *Cancellation of Treasury Shares*. Notwithstanding anything in this Agreement to the contrary, each common share of PRE, par value $1.00 per share (a **PRE Common Share**) that is owned by PRE, Parent or by any respective Subsidiary or Affiliate of PRE or Parent immediately prior to the Effective Time (the **Excluded Shares**) shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and shall cease to exist, and no PRE Consideration shall be delivered in respect of the Excluded Shares.

(b) *Conversion of PRE Common Shares*. Each PRE Common Share issued and outstanding immediately prior to the Effective Time (other than the Excluded Shares) shall automatically be cancelled and converted into the right to receive an amount in cash equal to $137.50 without interest thereon (the **PRE Consideration**). As of the Effective Time, all PRE Common Shares shall be cancelled automatically and shall cease to exist and the holders of PRE Common Shares (the **PRE Shareholders**) shall cease to have any rights with respect to such PRE Common Shares, except: (i) in the case of the PRE Common Shares (other than Excluded Shares), the right to receive the PRE Consideration in accordance with Section 2.02, and (ii) in the case of the PRE Dissenting Shares that are PRE Common Shares, the right to receive the excess, if any, of the fair value thereof as determined in accordance with (and subject to the terms and conditions of) Section 2.02(f) over the PRE Consideration.

(c) *Conversion of Merger Sub Shares*. Each common share of Merger Sub, par value $1.00 per share, issued and outstanding immediately prior to the Effective Time shall automatically be cancelled and converted into one validly issued, fully paid and non-assessable common share of the Surviving Company, par value $1.00 per share.

(d) *Certain Adjustments*. The PRE Consideration shall be appropriately adjusted to reflect fully and equitably the effect of any share split, reverse share split, share consolidation, share subdivision, share bonus issue, share dividend (including any dividend or similar distribution of securities convertible into PRE Common Shares), reorganization, recapitalization, reclassification or other similar event that occurs between the date of this Agreement and the Effective Time with respect to PRE Common Shares in order to provide the PRE Shareholders with the same economic effect as contemplated by this Agreement and the Statutory Merger Agreement prior to any such event; *provided*, that nothing in this Section 2.01(d) shall be construed to permit PRE to take any action with respect to its securities that is prohibited by the terms of this Agreement or the Statutory Merger Agreement.

(e) *Intentionally Left Blank*.

(f) *Shares of PRE Dissenting Holders*. At the Effective Time any PRE Dissenting Shares shall be cancelled, and unless otherwise required by applicable Law, be converted into the right to receive the PRE Consideration as described in Section 2.01(b) or, as the case may be, the preferred shares of the Surviving Company as described in Section 2.01(g) and any PRE Dissenting Holders, in the event that the Appraised Fair Value of a PRE Dissenting Share is greater than the PRE Consideration or, as the case may be, the value of their preferred shares of the Surviving Company described in Section 2.01(g), be entitled to receive such difference from the Surviving Company by payment within thirty (30) days after such Appraised Fair Value is finally determined pursuant to such appraisal procedure. PRE shall give Parent: (i) prompt notice of (A) any demands for appraisal of PRE Dissenting Shares or withdrawals of such demands received by PRE and (B) to the extent that PRE has Knowledge, any applications to the Supreme Court of Bermuda for appraisal of the fair value of the PRE Dissenting Shares; and (ii) to the extent

permitted by applicable Law, the opportunity to participate with PRE in,

Table of Contents

and to be regularly consulted by PRE with respect to, any settlement negotiations and proceedings with respect to any written demands for appraisal under the Companies Act.

(g) *Preferred Shares*. Each of the PRE Preferred Shares issued and outstanding at the Effective Time shall remain outstanding as preferred shares of the Surviving Company (**Surviving Company Preferred Shares**) and shall be entitled to the same dividend and other relative rights, preferences, limitations and restrictions as are now provided by the respective certificate of designation, preferences and rights of such PRE Preferred Shares.

Section 2.02. *Payment Procedures.*

(a) *Paying Agent*. At least five Business Days prior to the Effective Time, Parent shall designate a paying agent reasonably acceptable to PRE (the **Paying Agent**) for the purpose of acting as the paying agent for the payments to be made in respect of the share certificates registered in the name of a PRE Shareholder and representing PRE Common Shares (each, a **PRE Certificate**) or PRE Common Shares registered in the register of shareholders of PRE (the **PRE Share Register**) outstanding immediately prior to the Effective Time (**Uncertificated PRE Common Shares**).

(b) *Payment Fund*. At or prior to the Effective Time, Parent shall deposit, or shall cause to be deposited, with the Paying Agent in accordance with this Article 2 sufficient funds for the payment of the aggregate PRE Consideration to be paid in respect of the PRE Certificates and Uncertificated PRE Common Shares, together with the aggregate PRE Option Payments and PRE SAR Payments payable pursuant to this Agreement (except to the extent that Parent determines to make any such PRE Option Payments or PRE SAR Payments to employees through the payroll of the Surviving Company). The PRE Consideration and other amounts so deposited pursuant to this Section 2.02(b) are hereinafter referred to as the **Payment Fund.** No interest shall be paid or accrued for the benefit of the respective holders of the PRE Certificates and Uncertificated PRE Common Shares on cash amounts payable from the Payment Fund pursuant to this Section 2.02.

(c) *Investment of Payment Fund*. The Paying Agent shall invest any cash in the Payment Fund as directed by the Surviving Company; *provided*, that such investments shall be in either direct obligations of, or fully guaranteed by, the United States of America or in money market funds having a rating in the highest investment category granted by an internationally recognized credit rating agency at the time of investment. Any interest and other income resulting from such investments shall be promptly paid to the Surviving Company and any amounts in excess of the amounts payable under Sections 2.01(b) and (d) shall be promptly returned to the Surviving Company. To the extent that there are any losses with respect to any such investments, the Surviving Company shall promptly replace or restore the cash to the Payment Fund so as to ensure that there is sufficient cash for the Paying Agent to make all such payments.

(d) *Payment Procedures*. As promptly as practicable (but in no event later than five Business Days) following the Effective Time, the Surviving Company shall cause the Paying Agent to mail to: (1) each PRE Shareholder of record of PRE Common Shares converted pursuant to Section 2.01(b): (i) a letter of transmittal (which shall be in form and substance as the parties may reasonably specify at least three Business Days prior to the Effective Time, including that delivery shall be effective upon the proper delivery of the PRE Certificates or, in the case of Uncertificated PRE Common Shares, pursuant to customary provisions with respect to delivery of an agent s message in accordance with the instructions set forth therein), and (ii) instructions to effect the surrender of PRE Certificates or Uncertificated PRE Common Shares in exchange for the PRE Consideration. Following the Effective Time, upon surrender of title to the PRE Common Shares previously held by a PRE Shareholder in accordance with this Section 2.02, together with a duly executed letter of transmittal and such other documents as the Paying Agent may reasonably require, a PRE Shareholder shall be entitled to receive the PRE Consideration in exchange therefor, and any PRE Certificate so surrendered shall be marked as cancelled immediately. In the event that the PRE Consideration is to be paid to a Person that is not registered in the transfer records of PRE, the PRE Consideration may be issued to such Person if:

(i) the PRE Certificate representing such PRE Common Shares (if any) is presented to the Paying Agent; (ii) all documents so required to evidence and

Table of Contents

effect such transfer that are reasonably satisfactory to the Surviving Company are presented to the Paying Agent; and (iii) evidence reasonably satisfactory to the Surviving Company is presented confirming that any applicable stock transfer taxes have been paid.

(e) *Intentionally Left Blank*.

(f) *No Further Rights in PRE Common Shares*. All PRE Consideration paid upon the surrender of title to PRE Common Shares in accordance with the terms of this Article 2 shall be deemed to have been paid in full satisfaction of all rights pertaining to such PRE Common Shares. From and after the Effective Time, the PRE Share Register shall be closed and there shall be no further registration of transfers on the share transfer books of the Surviving Company of the PRE Common Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any outstanding PRE Common Shares are presented to the Surviving Company or the Paying Agent, such PRE Common Shares shall be cancelled and exchanged for PRE Consideration provided for, and in accordance with the provisions set forth, in this Article 2.

(g) *Intentionally Left Blank*.

(h) *Lost, Stolen or Destroyed Certificates*. If any PRE Certificates have been lost, stolen or destroyed, the Paying Agent shall issue and pay in exchange for such lost, stolen or destroyed PRE Certificates, upon the making of an affidavit of that fact by the Person claiming to be the holder thereof, the PRE Consideration payable pursuant to this Article 2 in respect thereof; *provided*, that the Surviving Company may, in its reasonable discretion, require such Person to either deliver a bond in such sum as the Surviving Company may reasonably direct or otherwise indemnify the Surviving Company in a manner reasonably satisfactory to the Surviving Company against any claim that may be made against the Surviving Company or the Paying Agent with respect to the PRE Certificates alleged to have been lost, stolen or destroyed.

(i) *Termination of Payment Fund*. Any portion of the Payment Fund that remains undistributed to the respective PRE Shareholders for 180 days following the Effective Time shall be delivered to the Surviving Company, upon demand. Any respective holder of PRE Common Shares who has not theretofore complied with this Article 2 shall thereafter look only to the Surviving Company for payment of their respective PRE Consideration.

(j) *No Liability*. To the extent permitted under applicable Law, any PRE Consideration that remains undistributed to any PRE Shareholder shall be delivered to and become the property of the Surviving Company on the Business Day immediately prior to the day that such property is required to be delivered to any public official pursuant to any applicable abandoned property, escheat or similar Law. Neither the Surviving Company nor the Paying Agent shall be liable to any PRE Shareholder for any such property delivered to the Surviving Company or to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(k) *Withholding Rights*. The Paying Agent, Parent and the Surviving Company shall be entitled to deduct and withhold from any PRE Consideration or other amounts payable pursuant to this Agreement to any PRE Shareholder such amounts as may be required under the Code or any other provision of applicable federal, state, local or foreign Tax Law. To the extent that such amounts are so deducted or withheld and are paid over to the applicable Governmental Entity, such deducted or withheld amounts shall be treated for all purposes of this Agreement as having been paid to the PRE Shareholder in respect of whom such deduction or withholding was made.

Section 2.03. *Treatment of Equity Awards.*

(a) *Treatment of PRE Options*. As of the Effective Time, each outstanding option to purchase PRE Common Shares under any PRE Share Plan (each, a **PRE Option**), whether vested or unvested, shall be treated in accordance with the terms of the applicable grant or award agreement and PRE Share Plan and, automatically

Table of Contents

and without any required action on the part of the holder thereof, be cancelled and converted into the right to receive an amount in cash, without interest thereon, equal to the product of (i) the total number of PRE Common Shares subject to such PRE Option immediately prior to the Effective Time and (ii) the excess, if any, of the PRE Consideration over the exercise price per PRE Common Share of such cancelled PRE Option, less applicable withholding taxes (such excess amounts payable hereunder, the **PRE Option Payments**). For the avoidance of doubt, in the event that the product obtained by such calculation with respect to a PRE Option is zero or a negative number, then such PRE Option shall, immediately prior to the Effective Time, be cancelled without consideration, and such PRE Option shall have no further force or effect

(b) *Treatment of PRE Share Appreciation Rights*. As of the Effective Time, each outstanding share appreciation right under any PRE Share Plan (each, a **PRE SAR**), whether vested or unvested, shall be treated in accordance with the terms of the applicable grant or award agreement and PRE Share Plan and, automatically and without any required action on the part of the holder thereof, be cancelled and converted into the right to receive an amount in cash, without interest thereon, equal to the product of (i) the total number of PRE Common Shares subject to such PRE SAR immediately prior to the Effective Time and (ii) the excess, if any, of the PRE Consideration over the exercise price per PRE Common Share of such cancelled PRE SAR, less applicable withholding taxes (such amounts payable hereunder, the **PRE SAR Payments**). For the avoidance of doubt, in the event that the product obtained by such calculation with respect to a PRE SAR is zero or a negative number, then such PRE SAR shall, immediately prior to the Effective Time, be cancelled without consideration, and such PRE SAR shall have no further force or effect.

(c) *Treatment of PRE Other Share-Based Awards*. Immediately prior to the Effective Time, each right of any kind, contingent or accrued, to receive PRE Common Shares (including restricted share units and performance share units), other than PRE Options and PRE SARs (each, a **PRE Other Share-Based Award**), which under the terms of the applicable grant or award agreement and PRE Share Plan becomes fully vested and settled effective as of the Effective Time shall vest and be settled in accordance with its terms (and for the avoidance of doubt, all such performance share units shall vest and settle as if the maximum performance were achieved) and each PRE Common Share delivered in settlement thereof (after giving effect to any required reduction in respect of withholding tax obligation due in respect of such vesting and settlement), shall be eligible to receive the PRE Consideration pursuant to Section 2.01(b) of this Agreement.

(d) *Intentionally Left Blank*.

(e) *Intentionally Left Blank*.

(f) *Intentionally Left Blank*.

(g) Prior to the Effective Time, the PRE Board and its compensation committee, shall take all actions necessary to effectuate the provisions of this Section 2.03.

Section 2.04. *Intentionally left blank*.

Table of Contents

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF PRE

Except as: (i) set forth in the disclosure letter delivered by PRE to Parent simultaneously with the execution of this Agreement (the **PRE Disclosure Letter**), or (ii) disclosed in the PRE SEC Reports publicly filed with the SEC on or following January 1, 2014 and prior to the date hereof (excluding any disclosures set forth in the Risk Factors or Forward-Looking Statements sections of such PRE SEC Report or that otherwise constitute risk factors or that are cautionary, predictive or forward-looking in nature), PRE hereby represents and warrants to Parent and Merger Sub, with respect to itself and its Subsidiaries, as follows:

Section 3.01. *Organization, Standing and Power.*

(a) Each of it and its Subsidiaries is a corporation, exempted company, limited liability company or other legal entity duly organized or incorporated, validly existing and in good standing (if and to the extent such term is so recognized in the relevant jurisdiction) under the Laws of its jurisdiction of organization or incorporation, except for those jurisdictions where failure to be in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of it and its Subsidiaries has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as now conducted, except where failure to have such power or authority would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Each of it and its Subsidiaries is duly qualified or licensed to do business as a foreign corporation, exempted company, limited liability company or other legal entity and is in good standing (if and to the extent such term is so recognized in the relevant jurisdiction) in each jurisdiction where the character or location of the assets and properties owned, leased or operated by it or the nature of its business makes such qualification or license necessary, except where the failure to be so qualified or licensed or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Neither it nor any of its Subsidiaries is in violation of their respective Organizational Documents in any material respect.

(c) It has provided or made available to Parent and Merger Sub true and complete copies of: (i) its memorandum of association (the **Memorandum of Association**) and bye-laws (the **Bye-Laws**) in effect as of the date hereof; and (ii) the memorandum of association and bye-laws or other similar Organizational Documents in effect as of the date hereof of each of its material Insurance Subsidiaries.

Section 3.02. *Capitalization.*

(a) Its authorized share capital and issued and outstanding share capital as of the date set forth in Section 3.02(a) of the PRE Disclosure Letter, including any capital reserved for issuance upon the exercise or payments of outstanding warrants, share options, share appreciation rights or other equity-related securities or awards (such share option and other equity-related award plans, agreements and programs, each an **Equity Award**), are described in Section 3.02(a) of the PRE Disclosure Letter. None of its share capital, equity-related securities or warrants are held by it or by its Subsidiaries. Section 3.02(a) of the PRE Disclosure Letter also sets forth a true and complete list of all outstanding Equity Awards outstanding as of the date of this Agreement and the name of each holder thereof and the number of PRE Common Shares for which any such warrant, option, share appreciation right, restricted share, restricted share unit or other equity-related security or award is exercisable for as of the date of this Agreement (without regard to any vesting or other limitations with respect thereof).

(b) Except as described in this Section 3.02, as of the date hereof, there are: (i) no shares or securities of, or other equity or voting interests in, it; (ii) no issued and outstanding shares or securities of it that are convertible into or exchangeable for share capital of, or other equity or voting interests in, it; (iii) no outstanding options, warrants, rights or other commitments or agreements to acquire from it, or that obligate it to issue, any shares or

Table of Contents

securities, or other equity or voting interests in, it; (iv) no obligations of it to grant, extend or enter into any subscription, warrant, right, convertible or exchange security or other similar agreement or commitment relating to any shares or securities of, or other equity or voting interests in it (the items in clauses (i), (ii), (iii) and (iv) being referred to, collectively, as its **Securities**); and (v) no other obligations by it or any of its Subsidiaries to make any payments based on the price or value of any of its Securities, or dividends paid thereon.

(c) With respect to the Equity Awards: (i) each grant of an Equity Award was duly authorized no later than the date on which the grant of such Equity Award was by its terms to be effective (the **Grant Date**) by all necessary corporate action, including, as applicable, approval by the PRE Board, or a committee thereof or such committee s designee (as the case may be) and any required approval by its shareholders; (ii) each such grant was made in accordance with all applicable Laws, including the rules of the NYSE; (iii) the per share exercise price of each PRE Option was not less than the fair market value of a respective PRE Common Share on the applicable Grant Date; (iv) each such grant qualifies in all material respects for the Tax and accounting treatment afforded to such Equity Awards in its Tax Returns and its SEC Reports, respectively; and (v) no material modifications have been made to any such grants after the Grant Date and all such grants either comply in all material respects with or are exempt from Section 409A of the Code. The treatment of the Equity Awards provided in Section 2.03 will comply with all applicable Laws and the terms and conditions of the PRE Share Plans and the applicable Equity Award agreements.

(d) All PRE Common Shares and PRE Preferred Shares that are issued and outstanding or that are subject to issuance prior to the Effective Time upon the terms and subject to the conditions specified in the instruments under which they are issuable: (i) are, or, in the case of shares issued after the date hereof, will be, duly authorized, validly issued, fully paid and non-assessable, and issued in compliance with applicable Law and the terms and provisions of its applicable Organizational Documents; and (ii) are not, or, in the case of shares issued after the date hereof, will not be, subject to any pre-emptive or similar rights, purchase option call or right of first refusal or similar rights.

(e) There are no outstanding contractual obligations of it or any of its Subsidiaries: (i) to repurchase, redeem or otherwise acquire any PRE Common Shares, PRE Preferred Shares, bonds, debentures, notes or other indebtedness of it or share capital, bonds, debentures, notes or other indebtedness of any Subsidiary of it; or (ii) to provide any funds to or make any investment in (A) any Subsidiary of it that is not wholly owned by it or (B) any other Person. No holder of securities in it or any of its Subsidiaries has any right to have such securities registered by it or any of its Subsidiaries under the Exchange Act.

(f) The PRE Common Shares and PRE Preferred Shares constitute the only issued and outstanding classes of securities of it or its Subsidiaries registered under the Exchange Act.

(g) Section 3.02(g) of the PRE Disclosure Letter contains a list of all insurance linked securities, sidecars, catastrophe bonds or weather-related bonds or similar instruments issued, guaranteed or sponsored by it or any of its Subsidiaries.

(h) It has not guaranteed the obligations of any of its Subsidiaries.

Section 3.03. *Corporate Authorization*. It has all necessary corporate power and authority to enter into this Agreement and the Statutory Merger Agreement and, subject to approval and adoption of this Agreement and the Statutory Merger Agreement by the Requisite PRE Vote to consummate the Transactions. The execution, delivery and performance by it of this Agreement, the Statutory Merger Agreement and the consummation by it of the Transactions have been duly and validly authorized by all necessary corporate action on its part, subject only to the Requisite PRE Vote. The Requisite PRE Vote is the only vote of the holders of any class or series of its share capital or other securities necessary to approve this Agreement, the Statutory Merger Agreement or the Transactions to which it is a party.

A-8

Table of Contents

Section 3.04. *Board Approval*.

(a) The PRE Board, by resolutions duly passed at a meeting duly called and held, has: (i) determined that the PRE Consideration constitutes fair value for each PRE Common Share in accordance with the Companies Act and deemed it advisable and fair to, and in the best interests of, PRE to enter into this Agreement and to consummate the Transactions to which PRE is a party; (ii) approved and adopted this Agreement and authorized and approved the Transactions to which PRE is a party; (iii) recommended that the shareholders of PRE vote affirmatively in connection with obtaining the Requisite PRE Vote (the **PRE Board Recommendation**), subject to Section 6.08, and directed that this Agreement, the Statutory Merger Agreement and the Transactions to which PRE is a party be submitted for consideration by the shareholders of PRE at the PRE Shareholder Meeting; and (iv) determined that the PRE Bye-law Amendment is in the best interests of PRE and authorized and approved the PRE Byelaw Amendment.

(b) *Intentionally Left Blank*.

Section 3.05. *Enforceability*. This Agreement has been duly executed and delivered by it and, assuming the due authorization, execution and delivery of this Agreement by the other parties hereto, constitutes a legal, valid and binding agreement of it, enforceable against it in accordance with the terms of this Agreement, subject to the effect of any applicable bankruptcy, insolvency (including all Laws related to fraudulent transfers), reorganization, moratorium or similar Laws affecting creditors rights generally and subject to the effect of general principles of equity (whether considered in a proceeding at equity or at law).

Section 3.06. *Non-Contravention*. The execution, delivery and performance of this Agreement and the Statutory Merger Agreement by it and the consummation by it of the Transactions to which it is a party do not and will not (assuming the accuracy of the representations and warranties of Parent and Merger Sub made in Section 4.03 and Section 4.05 below):

(a) contravene or conflict with, or result in any violation or breach of, any provision of its Organizational Documents, as they may be amended by the PRE Bye-law Amendment;

(b) contravene or conflict with, or result in any violation or breach of, any Laws or Orders applicable to it or any of its Subsidiaries or by which any of its assets or those of any of its Subsidiaries (**PRE Assets**) are bound, assuming that all consents, approvals, authorizations, filings and notifications described in Section 3.08 have been obtained or made or, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(c) result in any violation or breach of, or constitute a default (with or without notice or lapse of time or both) under, any Contracts, except for any Reinsurance Contracts, to which it or any of its Subsidiaries is a party or by which any of their assets are bound (collectively, **PRE Contracts**), except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(d) require any consent, approval or other authorization of, or filing with or notification to, any Person under any PRE Contracts, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(e) give rise to any termination, cancellation, amendment, modification or acceleration of any rights or obligations under any PRE Contracts, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; or

(f) cause the creation or imposition of any Liens on any PRE Assets, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Table of Contents

Section 3.07. *Subsidiaries*.

(a) Each of its Subsidiaries is wholly owned by it, directly or indirectly, free and clear of any Liens other than Permitted Encumbrances. Except for Investment Assets held in the ordinary course of business and the capital stock or other equity ownership interests of its Subsidiaries set forth in Section 3.07 of the PRE Disclosure Letter, it does not own, directly or indirectly, any share capital or other equity interest of, or any other securities convertible or exchangeable into or exercisable for share capital or equity interest of, any Person.

(b) Each issued and outstanding share of the share capital or non-corporate equity interests (including partnership interests and limited liability company interests), as applicable, of each of its Subsidiaries that is held, directly or indirectly, by it: (i) is duly authorized, validly issued, fully paid and nonassessable, and was issued in compliance with the applicable Laws, terms and conditions of the applicable Subsidiary s Organizational Documents and any preemptive or similar rights, subscription rights, anti-dilutive rights, purchase option, call or right of first refusal or similar rights; and (ii) is not or, in the case of any share or non-corporate equity interest issued after the date hereof, will not be, subject to any pre-emptive or similar rights, purchase option, call or right of first refusal or similar rights.

(c) All of the outstanding share capital of, or other equity or voting interests in, each of its Subsidiaries are owned directly or indirectly, by it free and clear of all Liens other than Permitted Encumbrances. There are no subscriptions, options, warrants, rights, calls, contracts or other commitments, understandings, restrictions or arrangements relating to the issuance, acquisition, redemption, repurchase or sale of any share capital or other equity or voting interests of any of its Subsidiaries, including any right of conversion or exchange under any outstanding security, instrument or agreement, any agreements granting any preemptive rights, subscription rights, anti-dilutive rights, rights of first refusal or similar rights with respect to any securities of any of its Subsidiaries. None of its Subsidiaries has any outstanding equity compensation plans relating to the share capital of, or other equity or voting interests in, any of its Subsidiaries. Neither it nor any of its Subsidiaries has any obligation to make any payments based on the price or value of any securities of any of its Subsidiaries or dividends paid thereon.

Section 3.08. *Governmental Authorizations*. The execution, delivery and performance of this Agreement and the Statutory Merger Agreement by it and its Subsidiaries and the consummation by it and its Subsidiaries of the Transactions do not and will not require any consent, approval or other authorization of, or filing, license, permit, declaration or registration with or notification to, or waiver from, any international, national, federal, state, provincial or local governmental, regulatory or administrative authority, agency, commission, court, tribunal, arbitral body or self-regulated entity, whether domestic or foreign (each, a **Governmental Entity**), other than:

(a) (i) the filing of the Merger Application and related attachments with the Registrar and (ii) the written notification from the Bermuda Monetary Authority confirming that the Bermuda Monetary Authority has no objection to the Merger;

(b) (i) the filing with the Securities and Exchange Commission (the **SEC**) of the Proxy Statement and any other materials as may be required in connection with this Agreement and the Transactions and (ii) any other filings and reports that may be required in connection with this Agreement and the Transactions under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the **Exchange Act**);

(c) compliance with the New York Stock Exchange (**NYSE**) rules and regulations;

(d) *Intentionally Left Blank.*

(e) compliance with the pre-merger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the **HSR Act**) and, as set forth in Section 3.08(e) of the PRE Disclosure Letter, with respect to any Governmental Entity with jurisdiction over enforcement of any applicable antitrust or competition Laws;

Table of Contents

(f) notices, applications, filings, authorizations, orders, approvals and waivers that are set forth in Section 3.08(f) of the PRE Disclosure Letter (such notices, filings, authorizations, orders, approvals and waivers described in clauses (e) and (f), together with the Specified Approvals, the **Transaction Approvals**); and

(g) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.09. *Vote Required.*

(a) The Requisite PRE Vote is the only vote of the holders of any class or series of the share capital of it or any of its Subsidiaries necessary (under its Organizational Documents, the Companies Act, other applicable Laws or otherwise) to approve and adopt this Agreement, the Statutory Merger Agreement and the Merger.

(b) There are no shareholder agreements, voting trusts, proxies or similar agreements, arrangements or commitments to which it or any of its Subsidiaries is a party or of which it has Knowledge with respect to the voting of any of its shares or those of any of its Subsidiaries. There are no bonds, debentures, notes or other instruments of indebtedness of it or any of its Subsidiaries that have the right to vote, or that are convertible or exchangeable into or exercisable for securities having the right to vote, on any matters on which its shareholders may vote.

Section 3.10. *SEC Reports.*

(a) It has timely filed with the SEC (including following any extensions of time for filing provided by Rule 12b-25 promulgated under the Exchange Act) all forms, reports, schedules, statements and other documents required to be filed by it with the SEC, and any documents or information furnished to the SEC on a voluntary basis on Current Reports on Form 8-K, in each case since January 1, 2012 (collectively, the **SEC Reports**). Its SEC Reports, as filed with or furnished to the SEC: (i) complied as to form in all material respects with the applicable requirements of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the **Securities Act**) or the Exchange Act; (ii) were prepared in all material respects in accordance with the respective requirements of the Securities Act, the Exchange Act and other applicable Laws; and (iii) did not, at the time they were filed, or if amended or restated, at the time of such later amendment or restatement, and at their respective effective dates, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which such statements were made, not misleading. None of its Subsidiaries is subject to the periodic reporting requirements of the Exchange Act or is otherwise required to file any forms, reports, schedules, statements or other documents with the SEC, any foreign Governmental Entity that performs a similar function to that of the SEC or any securities exchange or quotation service.

(b) As of their respective dates, or, if amended, as of the date of the last such amendment, its SEC Reports, as filed with or furnished to the SEC, complied in all material respects with the requirements of the Securities Act and the Exchange Act, as the case may be, and the applicable rules and regulations promulgated thereunder. As of the date hereof, there are no outstanding or unresolved written comments from the SEC with respect to its SEC Reports. As of the date hereof, to its Knowledge, none of its SEC Reports filed on or prior to the date hereof is the subject of ongoing SEC review.

Section 3.11. *Financial Statements; Internal Controls.*

(a) The audited consolidated financial statements and unaudited consolidated interim financial statements (including all related notes and schedules) of it and its consolidated Subsidiaries included or incorporated by reference in its SEC

Reports:

(i) complied in all material respects with applicable accounting requirements and the rules and regulations of the SEC;

Table of Contents

(ii) were prepared in accordance with United States generally accepted accounting principles (**GAAP**) applied on a consistent basis during the periods involved (except as may be indicated in the notes to those financial statements); and

(iii) fairly present in all material respects the consolidated financial position of it and its consolidated Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended (subject, in the case of any unaudited interim financial statements, to normal year-end adjustments, none of which are, individually or in the aggregate, material).

(b) No material weaknesses exist with respect to its internal control over financial reporting that would be required to be disclosed pursuant to Item 308(a)(3) of Regulation S-K promulgated by the SEC that have not been disclosed in its SEC Reports as filed with or furnished to the SEC prior to the date hereof. It has established and maintains disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 under the Exchange Act) as required by Rule 13a-15 under the Exchange Act designed to ensure that information required to be disclosed by it in the reports that it files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, including that information required to be disclosed by it in the reports that it files and submits under the Exchange Act is accumulated and communicated to its management, as appropriate, to allow timely decisions regarding required disclosure. It has disclosed, based on its most recent evaluation, to its outside auditors and the audit committee of its board of directors: (i) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect in any material respect its ability to record, process, summarize and report financial data; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in its internal control over financial reporting. It has provided or made available to Parent and Merger Sub true and complete copies of any such disclosure contemplated by clauses (i) and (ii) of the immediately preceding sentence made by management to its independent auditors and the audit committee of its Board since January 1, 2012.

Section 3.12. *Liabilities.*

(a) There are no liabilities or obligations of any kind, whether accrued, contingent, absolute, inchoate or otherwise (collectively, **Liabilities**) of it or any of its Subsidiaries that are required to be recorded or reflected on a balance sheet, including the footnotes thereto, prepared in accordance with GAAP, other than:

(i) Liabilities reflected or reserved for in the consolidated balance sheet of it and its consolidated Subsidiaries as of December 31, 2014 or disclosed in the footnotes thereto, set forth in its Annual Report on Form 10-K for the period ended December 31, 2014, as filed with the SEC prior to the date hereof; and

(ii) Liabilities incurred since December 31, 2014 in the ordinary course of business.

(b) Neither it nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract (including any Contract relating to any transaction or relationship between or among it and any of its Subsidiaries, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity, on the other hand, or any off-balance sheet arrangement (as defined in Item 303(a) of Regulation S-K promulgated under the Securities Act)), where the result, purpose or intended effect of such Contract is to avoid disclosure of any material transaction involving, or material liabilities of, it or any of its Subsidiaries in its SEC Reports.

(c) It is in compliance in all material respects with: (i) the provisions of the Sarbanes-Oxley Act of 2002, as amended and the rules and regulations of the SEC promulgated thereunder that are applicable to it and (ii) the rules and regulations of the NYSE that are applicable to it. With respect to each of its SEC Reports on Form 10-K or Form 10-Q, each of its principal executive officer and principal financial officer has made all certifications required by Rule 13a-14 or 15(d) under the Exchange Act and Sections 302 and 906 of the

Table of Contents

Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC promulgated thereunder with respect to such SEC Reports. None of the back-up or sub-certifications made by any of its officers or employees or any of its Subsidiaries since January 1, 2012 to support any such certifications made by its principal executive officer or principal financial officer has identified or raised any significant exceptions.

Section 3.13. *Absence of Certain Changes.* Since December 31, 2014 to the date of this Agreement: (a)except for the execution, delivery and performance of this Agreement and the discussions, negotiations and Transactions related thereto, its business and that of its Subsidiaries has been carried on and conducted in all material respects in the ordinary course; (b) there has not been any declaration, setting aside for payment or payment of any dividend or other distribution in respect of any of the PRE Common Shares or other of its equity or voting interests, except for ordinary course quarterly dividends with payment dates and amounts consistent with past practice; (c) there has not been any change in any material respect in its or any of its Subsidiaries financial accounting or actuarial methods, principles or practices, except insofar as may have been required by GAAP, by Applicable SAP or applicable Law, and (d) there has not been any effect, change, event or occurrence that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

Section 3.14. *Litigation.* Other than ordinary course claims under Reinsurance Contracts within applicable policy or contractual limits that do not involve allegations of bad faith or seek extra-contractual obligations, are not the subject of any proceeding by or before any Governmental Entity and have not proceeded to formal litigation, arbitration or mediation, there are no legal actions, claims, demands, arbitrations, hearings, charges, complaints, investigations, examinations, indictments, litigations, suits or other civil, criminal, administrative or investigative proceedings (collectively, **Legal Actions**) pending or, to its Knowledge, threatened against: (a) it or any of its Subsidiaries; or (b) any of its or its Subsidiaries directors, officers or employees or other Person for whom it or any of its Subsidiaries may be liable, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There are no Orders outstanding against it, any of its Subsidiaries or their respective properties and assets, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.15. *Investments; Derivatives.*

(a) Except for bonds, stocks, mortgage loans, derivatives (including swaps, swaptions, caps, floors, foreign exchange and options or forward agreements) and all other instruments of indebtedness, stocks, partnership or joint venture interests and all other equity interests, certificates issued by or interests in trusts, alternatives investments and direct and indirect investments in hedge funds and other investments (the **Investment Assets**) sold in the ordinary course of business after December 31, 2014 or in compliance with the Investment Guidelines, each of it and its Subsidiaries, as applicable, has good and marketable title to all of the Investment Assets it purports to own, free and clear of all Liens except Permitted Encumbrances. A copy of its policies with respect to the investment of the Investment Assets has been made available no later than one day prior to the date hereof (the **Investment Guidelines**), and the composition of the Investment Assets complies in all material respects with, and it and its Subsidiaries have complied in all material respects with, the Investment Guidelines.

(b) The Investment Assets in all material respects comply with, and the acquisition thereof complied with, any and all investment restrictions under applicable Law.

Section 3.16. *Insurance Matters.*

(a) Section 3.16(a) of the PRE Disclosure Letter contains a true and correct list of each of its Subsidiaries which, by virtue of its operations and activities, is required to be licensed as an insurance company, reinsurance company or

insurance or reinsurance intermediary (collectively, its **Insurance Subsidiaries**), together with the jurisdiction of domicile thereof and each jurisdiction in which each such Insurance Subsidiary is licensed to conduct the business of insurance or reinsurance or as an intermediary. None of its Insurance Subsidiaries is commercially domiciled in any other jurisdiction or is otherwise treated as domiciled in a jurisdiction other than

Table of Contents

that of its formation. Each of its Insurance Subsidiaries and each of its other Subsidiaries that provide services to its Insurance Subsidiaries is licensed, authorized or otherwise eligible to conduct its business as currently conducted, to the extent required by Law, in each jurisdiction where it engages in business and for each line of business written therein, except where the failure to be so licensed, authorized or otherwise eligible to conduct its business as currently conducted would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Except as required by Insurance Laws of general applicability and the insurance Permits maintained by its Insurance Subsidiaries, there are no material written agreements, memoranda of understanding, commitment letters or similar undertakings binding on it or on any of its Insurance Subsidiaries or to which it or any of its Insurance Subsidiaries is a party, on the one hand, and any Governmental Entity is a party or addressee, on the other hand, or any Orders by, or supervisory letters or cease-and-desist orders from, any Governmental Entity, nor have it or any of its Insurance Subsidiaries adopted any board or committee resolutions at the request of any Governmental Entity, in each case with respect to such Insurance Subsidiaries, including any that would (i) limit the ability of any of its Insurance Subsidiaries to enter into Reinsurance Contracts, (ii) require any divestiture of any investment of any of its Insurance Subsidiaries, (iii) in any manner relate to the ability of any of its Insurance Subsidiaries to pay dividends, (iv) require any investment of any of its Insurance Subsidiaries to be treated as non-admitted assets (or the local equivalent), (v) require or impose any capital commitment, keep well or similar capital maintenance arrangement with respect to any of its Insurance Subsidiaries, or (vi) otherwise restrict the conduct of business of any of its Insurance Subsidiaries, nor have any of its Insurance Subsidiaries been advised by any Governmental Entity that it is contemplating any such undertakings.

(c) The financial statements included in all annual, quarterly and other periodic statements submitted to the appropriate Insurance Regulator of each jurisdiction in which any of its Insurance Subsidiaries is licensed or authorized or otherwise eligible or accredited with respect to the conduct of the business of reinsurance since January 1, 2012 (collectively, its **Statutory Statements**) were prepared in accordance with Applicable SAP, applied on a consistent basis during the periods involved, and fairly present in all material respects the statutory financial position of the relevant Insurance Subsidiary as of the respective dates thereof and the results of operations and changes in capital and surplus (and shareholders equity, as applicable) of such Insurance Subsidiary for the respective periods then ended. Such Statutory Statements complied in all material respects with all applicable Insurance Laws when filed or submitted and no material violation or deficiency has been asserted in writing (or, to the Knowledge of it, orally) by any Insurance Regulator with respect to any of such Statutory Statements that has not been cured or otherwise resolved to the satisfaction of such Insurance Regulator.

(d) It has provided or made available to Parent and Merger Sub to the extent permitted by applicable Law, true and complete copies of all material examination reports (and has notified Parent of any pending material examinations) of any Insurance Regulators received by it on or after January 1, 2012 through the date of this Agreement relating to its Insurance Subsidiaries. All material deficiencies or violations noted in such examination reports have been cured or resolved to the satisfaction of the applicable Insurance Regulator prior to the date of this Agreement. It has also provided Parent with true and complete copies of its written guidelines and policies with regard to underwriting, claims handling and actuarial reserves practices.

(e) (i) Each Ceded Reinsurance Contract is valid and binding on its applicable Insurance Subsidiary, and to its Knowledge, each other party thereto, and is in full force and effect, except where the failure to be valid, binding or in full force and effect would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (ii) its applicable Insurance Subsidiary and, to its Knowledge, any other party thereto, has performed all obligations required to be performed by it under each Ceded Reinsurance Contract, except where such nonperformance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (iii) none of its Insurance Subsidiaries has received written or, to its Knowledge, oral, notice of the existence of

any event or condition which constitutes, or, after notice or lapse of time or both, will constitute, a default on the part of such Insurance Subsidiary under any Ceded Reinsurance Contract, except where such default would not, individually or in the aggregate, reasonably be expected to have a Material

Table of Contents

Adverse Effect, (iv) to its Knowledge, with respect to each Ceded Reinsurance Contract, (A) there are no events or conditions which constitute, or, after notice or lapse of time or both, will constitute, a default on the part of any counterparty under such Ceded Reinsurance Contract, (B) to its Knowledge as of the date hereof, no such counterparty is insolvent or the subject of a rehabilitation, liquidation, conservatorship, receivership, bankruptcy or similar proceeding, (C) the financial condition of any reinsurer or retrocessionaire under such Ceded Reinsurance Contract is not impaired to the extent that a default thereunder is reasonably anticipated, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (D) no notice of intended cancellation has been received by its Insurance Subsidiary from any such reinsurer or retrocessionaire, and (E) its Insurance Subsidiary is entitled under the law of its domiciliary jurisdiction to take full credit in its Statutory Statements for all amounts recoverable by it pursuant to such Ceded Reinsurance Contract and all such amounts recoverable have been properly recorded in its books and records of account and are properly reflected in its Statutory Statements. As of the date hereof, there are no pending, and since January 1, 2012 to the date hereof, there have not been any, material disputes under any of the Ceded Reinsurance Contracts.

(f) Section 3.16(f) of the PRE Disclosure Letter contains a true and correct list, as of the date of this Agreement, of each intercompany Reinsurance Contract between it and any of its Subsidiaries or among its Subsidiaries.

Section 3.17. *Material Contracts.*

(a) As of the date hereof, there are no Contracts to which it or any of its Subsidiaries is a party (other than Reinsurance Contracts, Real Property Leases and Benefit Plans): (i) that are required to be described in, or filed as an exhibit to, any of its SEC Reports that are not so described or filed as required by the Securities Act or the Exchange Act; (ii) that contain any provisions restricting the ability of it or any of its Subsidiaries, or which, following the consummation of the Merger, would restrict the ability of PRE or any of its Subsidiaries or any of their successors, including the Surviving Company and its Subsidiaries, to compete or transact in any business or with any Person or in any geographic area or grants a right of exclusivity to any Person; (iii) pursuant to which any indebtedness of it or any of its Subsidiaries is outstanding or may be incurred in excess of $50 million or pursuant to which it or any of its Subsidiaries guarantees any indebtedness of any other Person (other than it or any of its Subsidiaries) (except for trade payables arising in the ordinary course of business); (iv) involving any material partnership, joint venture or other similar arrangement with any other Person (other than it or any of its Subsidiaries), relating to the formation, creation, operation, management or control of any such partnership or joint venture; (v) that involves or could reasonably be expected to involve aggregate payments or receipts by or to it and/or its Subsidiaries in excess of $5 million in any twelve-month period, other than: (A) Contracts that can be terminated by it or any of its Subsidiaries on less than 90 days notice without payment by it or any of its Subsidiaries of any penalty, or (B) Assumed Reinsurance Contracts; (vi) that have been entered into since January 1, 2012 or otherwise provide for material ongoing obligations of it or any of its Subsidiaries and involve the acquisition from another Person or disposition to another Person of capital stock or other equity interests of another Person or of a business (excluding, for the avoidance of doubt, acquisitions or dispositions of Investment Assets, and immaterial tangible assets in the ordinary course of business); (vii) that outsources any material function or part of its business or that of any Subsidiary or Subsidiaries; (viii) that prohibits or restricts the payment of dividends or distributions in respect of its shares or capital stock or those of any of its Subsidiaries, prohibits the pledging of the shares or capital stock of it or any of its Subsidiaries or prohibits or restricts the issuance of any guarantee by it or any of its Subsidiaries; (ix) that restricts its ability to incur indebtedness or guarantee the indebtedness of others; (x) in its case (and not in the case of any of its Subsidiaries) that are guarantees, including of obligations, suretyship contracts, performance bonds or other form of guaranty agreement or capital maintenance agreements or any keep wells; or (xi) Contracts or agreements that contain a put, call or similar right pursuant to which it or any of its Subsidiaries could be required to purchase or sell, as applicable, any equity interests of any Person or assets that have a fair market value or purchase price of more than $50 million (each such Contract described in clauses (i)-(xi), other than any Reinsurance Contract, Real Property Lease or Benefit Plan, a **Material**

Contract).

Table of Contents

(b) (i) Each Material Contract is a legal, valid and binding agreement of it and its Subsidiaries to the extent such Person is a party thereto and, to its Knowledge, each other party thereto is in compliance in all material respects with its terms and is in full force and effect, except where the failure to be valid, binding or in full force and effect would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (ii) it and each of its Subsidiaries and, to its Knowledge, each other party thereto, has performed all obligations required to be performed by such Person under such Material Contract, except where such noncompliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (iii) neither it nor any of its Subsidiaries has received notice of the existence of any event or condition which constitutes, or, after notice or lapse of time or both, will constitute, a default on the part of it or any of its Subsidiaries under any Material Contract, except where such default would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and (iv) there are no events or conditions which constitute, or, after notice or lapse of time or both, will constitute a default on the part of any counterparty under such Material Contract, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Section 3.17(c) of the PRE Disclosure Letter contains a true and correct list, as of the date of this Agreement, of each Material Contract entered into by it or any of its Subsidiaries.

Section 3.18. *Benefit Plans.*

(a) It has disclosed in Section 3.18 of the PRE Disclosure Letter a true and complete list of all material Benefit Plans other than Benefit Plans maintained by it outside of the United States primarily for the benefit of Associates working outside of the United States (collectively, the **Non-U.S. Benefit Plans**), which are contributed to, sponsored by or maintained by it or its Subsidiaries, or under which any current or former Associate of it has any present or future rights to benefits. For the purposes of this Agreement, **Benefit Plans** include all benefit and compensation plans, programs, contracts, policies, agreements or arrangements covering its current or former Associates, or under which it has any liability (including any contingent liability), including but not limited to, employee benefit plans within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**), whether or not such plans are subject to ERISA, and deferred compensation, pension, retirement, health, welfare, severance, employment, perquisite, change in control, stock option, stock purchase, stock appreciation rights, stock based, incentive, collective bargaining, fringe benefit, employee loan and bonus plans, programs, contracts, policies, agreements or arrangements. True and complete copies of all material Benefit Plans (or a written summary of any unwritten material Benefit Plan), including, to the extent applicable, (i) any trust agreement or insurance contract forming a part of such Benefit Plans, (ii) the most recent determination letter, (iii) the most recent Form 5500 and attached schedules, (iv) actuarial valuation reports, and (v) any amendments and a summary of any proposed amendments or changes anticipated to be made to such Benefit Plans, have been provided or made available to Parent and Merger Sub prior to the date of this Agreement.

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) each Benefit Plan other than the Non-U.S. Benefit Plans, (collectively, the **U.S. Benefit Plans**) has been funded, established, maintained and administered in compliance with their respective terms, ERISA, the Code and other applicable Laws, (ii) each U.S. Benefit Plan intended to be qualified within the meaning of Section 401(a) of the Code is so qualified and has received a favorable determination or opinion letter from the Internal Revenue Service as to its qualification and there are no existing circumstances or any events that have occurred that could reasonably be expected to adversely affect the qualified status of any such plan, (iii) there are no pending or, to its Knowledge, threatened actions, claims or lawsuits against or relating to the Benefit Plans, the assets of any of the trusts under such plans or the sponsor or the administrator, or against any fiduciary of the Benefit Plan with respect to the operation of such arrangements (other than routine benefits claims), (iv) no Benefit Plan is under audit or investigation by any Governmental Entity which is reasonably expected to result in a material liability to it, (v) no reportable event (as such

term is defined by Section 4043 of ERISA) or failure to satisfy the minimum funding standard within the meaning of Sections 412 and 430 of the Code or Section 302 of ERISA has occurred with respect to any Benefit Plan.

Table of Contents

(c) It has not engaged in a transaction with respect to any Benefit Plan which is subject to ERISA that, assuming the taxable period of such transaction expired as of the date of this Agreement, would reasonably be expected to subject it to a material tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA. It has not incurred, and it does not reasonably expect to incur, a material tax or penalty imposed by Section 4980F of the Code or Section 502 of ERISA or any material liability under Section 4071 of ERISA.

(d) Except as disclosed in Section 3.18(d) of the PRE Disclosure Letter, neither it, its Subsidiaries, nor any of their respective predecessors, has contributed to, contributes to, has been required to contribute to, or otherwise participated in or participates in or in any way has any Liability, directly or indirectly, within the last six (6) years prior to the date hereof with respect to (i) an employee benefit plan that is or was subject to Title IV of ERISA, including, without limitation, any multiemployer plan (within the meaning of Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code), (ii) a multiple employer plan (as defined in Section 413 of the Code), (iii) a multiple employer welfare arrangement (as defined in Section 3(40) of ERISA), or (iv) a plan maintained in connection with any trust described in Section 501(c)(9) of the Code. None of the Benefit Plans provide retiree health, life insurance or other welfare benefits except as may be required by Section 4980B of the Code and Section 601 of ERISA or any other applicable Law.

(e) There has been no amendment to, or announcement by it relating to, any of the U.S. Benefit Plans that would result in a material increase in liabilities to it above the level of the expense incurred in respect thereof for the fiscal year ended December 31, 2014. Except as disclosed in Section 3.18(e) of the PRE Disclosure Letter, neither the execution of this Agreement, shareholder approval and adoption of this Agreement and the Statutory Merger Agreement, receipt of approval or clearance from any one or more Governmental Entities in connection with the Merger or the other Transactions, nor the consummation of the Transactions, alone or in combination with any other event, will (i) entitle any Associates of it to severance or other payment, or increase any compensation or benefits due (other than severance pay required by applicable Law), (ii) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of any compensation or benefits under, or increase the amount of compensation or benefits payable, under any Benefit Plan, (iii) result in payments that would individually or in combination with any other such payment, constitute an excess parachute payment, as defined in Section 280G(b)(l) of the Code, or (iv) limit or restrict its right to merge, amend or terminate any Benefit Plan. Except as disclosed in Section 3.18(e) of the PRE Disclosure Letter, it is not a party to, and is not otherwise obligated under, any contract, agreement, plan or arrangement that provides for the gross-up of a Tax, interest or penalties imposed by Section 409A or 4999 of the Code (or any corresponding provision of state or local Law).

(f) All of the material Non-U.S. Benefit Plans are listed in Section 3.18(f) of the PRE Disclosure Letter. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) each of its Non-U.S. Benefit Plan been funded, established, maintained and administered in compliance in all material respects with their respective terms and all applicable Law (including compliance with any applicable requirements with respect to registration and good standing with regulatory authorities) and have been approved by any applicable taxation authorities for favorable taxation status to the extent such approval is available (and circumstances do not exist that are reasonably likely to cause such approval to cease to apply), (ii) it has no material unfunded liabilities with respect to any such Non-U.S. Benefit Plans that are not set forth in the consolidated balance sheets included in or incorporated by reference into its SEC Reports filed prior to the date of this Agreement and (iii) there is no pending or, to the Knowledge of its executive officers, threatened material litigation relating to the Non-U.S. Benefit Plans.

Section 3.19. *Labor Relations.*

(a) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each individual who renders (or, since January 1, 2012, any other individual who previously rendered) services to it or

any of its Subsidiaries who is or was classified by it or any of its Subsidiaries as having the status of an independent contractor or other non-employee status for any purpose (including for purposes of taxation and tax reporting and under Benefit Plans) is currently or was previously properly so characterized.

Table of Contents

(b) It is not party to any collective bargaining or similar agreement covering its employees, and its employees are not represented by any union, works council or labor organization. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or as set forth in Section 3.19(b) of the PRE Disclosure Letter: (i) neither it nor any of its Subsidiaries is the subject of any proceeding that asserts that it or any of its Subsidiaries has committed an unfair labor practice or that seeks to compel it to bargain with any labor union or labor organization; and (ii) there is no pending or, to its Knowledge, threatened, labor strike, dispute, walk-out, work stoppage, slow down or lockout involving it or any of its Subsidiaries.

(c) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each of it and its Subsidiaries are, and since January 1, 2012, have been, in compliance in all material respects with all applicable Laws relating to employment and employment practices, the classification of employees, wages, overtime, hours, collective bargaining, unlawful discrimination, civil rights, safety and health, workers compensation, plant closing and mass layoff Laws (including the Worker Adjustment and Retraining Notification Act, as amended, and each similar state, local or foreign Law) and terms and conditions of employment. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, there are no charges with respect to or relating to either it or its Subsidiaries pending or, to its Knowledge, threatened before the U.S. Equal Employment Opportunity Commission or any national, federal, state or local agency, domestic or foreign, responsible for the prevention of unlawful employment practices.

Section 3.20. *Taxes.* Except for such matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) All Tax Returns required to be filed by or with respect to it or any of its Subsidiaries have been timely (taking into account any applicable extensions) filed and all such Tax Returns are true, complete and correct.

(b) It and each of its Subsidiaries have fully paid all Taxes required to be paid and have made adequate provision (in accordance with GAAP or Applicable SAP, as applicable) for any Taxes that are not yet due and payable or that are being contested in good faith for all taxable periods, or portions thereof, ending on or before the date of this Agreement.

(c) It and each of its Subsidiaries have withheld all Taxes required to have been withheld from payments made to its employees, independent contractors, creditors, shareholders and other third parties and, to the extent required, such Taxes have been paid to the relevant Governmental Entity.

(d) There are no outstanding agreements extending or waiving the statutory period of limitations applicable to any claim for, or the period for the collection, assessment or reassessment of, Taxes due from it or any of its Subsidiaries for any taxable period and no request for any such waiver or extension is currently pending.

(e) No audit or other proceeding by any Governmental Entity is pending or to its Knowledge, threatened in writing with respect to any Taxes due from or with respect to it or any of its Subsidiaries. No claim for unpaid Taxes has been asserted against it or any of its Subsidiaries by a Governmental Entity, other than any claim that has been resolved and paid in full.

(f) Neither it nor any of its Subsidiaries has entered into any **closing agreement** as described in Section 7121 of the Code (or any similar provision of state, local or non-U.S. Tax Law) or been issued any private letter rulings, technical advice memoranda or similar agreement or rulings by any taxing authority.

(g) Neither it nor any of its Subsidiaries has been a controlled corporation or a distributing corporation in any distribution occurring during the two-year period ending on the date of this Agreement that was purported or intended to be governed by Section 355 of the Code (or any similar provision of state, local or non-U.S. Law).

(h) There are no Liens for Taxes on its assets or the assets any of its Subsidiaries other than Permitted Encumbrances.

Table of Contents

(i) Neither it nor any of its Subsidiaries has participated in any reportable transaction within the meaning of Treasury Regulation Section 1.6011-4(b) (other than loss transactions) or comparable provision of any other applicable Tax Law, and neither it nor any of its Subsidiaries has been a material advisor to any such transaction within the meaning of Section 6111 of the Code. For the avoidance of doubt, none of the transactions occurring pursuant to this Agreement (including the Closing and the transactions contemplated by Section 6.12) shall constitute a breach of this Section 3.20(i).

(j) Neither it nor any of its Subsidiaries (i) has ever been a member of an affiliated, combined, consolidated or unitary Tax group for purposes of filing any Tax Return (other than a group of which it or one of its Subsidiaries is the common parent) or (ii) has any liability for any Taxes of any Person (other than it or its Subsidiaries) under Treasury Regulation Section 1.1502-6 or any similar provision of state, local, or non-U.S. law, or as a transferee or successor, by contract or by operation of Law.

(k) Neither it nor any of its Subsidiaries is a party to or bound by or has any obligation under any Tax sharing or similar agreement or arrangement (other than commercial agreements the primary subject matter of which is not Tax matters).

(l) It and each of its Subsidiaries currently satisfies (assuming the relevant taxable year ended on the date this representation is being given), and expects to satisfy with respect to the taxable year which includes the Closing Date falls, either or both of the exceptions described in Sections 953(c)(3)(A) and (B) of the Code so that none of its United States shareholders (within the meaning of Section 953(c) of the Code) will be required to include in income any of its or its Subsidiaries related person insurance income (within the meaning of Section 953(c)(2) of the Code) by operation of Sections 951(a) and 953(c)(5) of the Code.

(m) Neither it nor any of its Subsidiaries reasonably expects that it will be a passive foreign investment company (as defined in Section 1297 of the Code and the Treasury Regulations thereunder) for the taxable year which includes the Closing Date.

(n) Neither it nor any of its non-U.S. Subsidiaries are engaged in a trade or business within the United States within the meaning of Section 864(b) of the Code or have a permanent establishment in the United States.

(o) It has not elected under Section 897(i) of the Code to be treated as a **domestic corporation.**

Section 3.21. *Intellectual Property.*

(a) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(i) it and its Subsidiaries own or have enforceable rights or licenses to use the Intellectual Property used in, and necessary for, their business as currently conducted. Its and its Subsidiaries conduct of their business as currently conducted does not infringe upon, misappropriate or otherwise violate the Intellectual Property rights of any third party, and no claim has been asserted or, to its Knowledge, threatened against it or any of its Subsidiaries that the conduct of its and its Subsidiaries business as currently conducted infringes upon, misappropriates or otherwise violates the Intellectual Property rights of any third party;

(ii) none of its present or former employees, officers, or directors, or agents, outside contractors or any other third party holds any right, title or interest, directly or indirectly, in whole or in part, in or to any Owned Intellectual Property;

(iii) none of the Intellectual Property owned or purported to be owned by it or any of its Subsidiaries (the **Owned Intellectual Property**) has been adjudged invalid or unenforceable in whole or in part and, to its Knowledge, the Owned Intellectual Property is valid and enforceable. To its Knowledge, no Person is engaging in any activity that infringes upon the Owned Intellectual Property;

Table of Contents

(iv) to its Knowledge, each agreement under which Intellectual Property is licensed to it or any of its Subsidiaries is valid and enforceable, is binding on all parties to such license, and is in full force and effect, and no party thereto is in breach thereof or default thereunder;

(v) it and its Subsidiaries have taken commercially reasonable measures to protect the confidential nature of the trade secrets and confidential information that they own or use;

(vi) to its Knowledge, the software it or any of its Subsidiaries owns or licenses for use does not contain any disabling mechanism or protection feature designed to prevent its use, including any computer virus, worm, software lock, drop-dead device, Trojan-horse routine, trap door, back door (including capabilities that permit non-administrative users to gain unrestricted access or administrative rights to software or that otherwise bypasses security or audit controls), time bomb or malware or any other codes or instructions that may be used to access, modify, replicate, distort, delete, damage or disable software or data, other software operating systems, computers or equipment with which the software interacts; and

(vii) in the past 12 months, there has been no failure or malfunction of any IT Systems which has caused any material disruption to its business or that of its Subsidiaries. It and its Subsidiaries have implemented reasonable backup, security and disaster recovery technology and procedures.

(b) To its Knowledge, it and its Subsidiaries are compliant in all material respects with their respective privacy policies and contractual commitments to their respective customers and employees, concerning data protection and the privacy and security of Personal Data of such customers and employees, including any applicable Data Protection Laws. Since January 1, 2012, to its Knowledge, it and its Subsidiaries have not experienced any Information Security Breach.

Section 3.22. *Real Property; Personal Property.*

(a) Set forth in Section 3.22(a) of the PRE Disclosure Letter is a complete list of real property that it or its Subsidiaries own (**Owned Real Property**). With respect to each Owned Real Property, except for such matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect: (i) it or its respective Subsidiary has good and clear record and marketable title to such property, free and clear of any Lien other than Permitted Encumbrances; and (ii) there are no outstanding options or right of first refusal to purchase the Owned Real Property, or any portion of the Owned Real Property, or interest therein.

(b) It and its Subsidiaries have a valid and enforceable right to use or a valid and enforceable leasehold interest in, all real property (including all buildings, fixtures and other improvements thereto) material to the conduct of their respective businesses as such businesses are currently being conducted. Neither it nor any of its Subsidiaries leasehold interest in any such real property is subject to any Lien, except for Permitted Encumbrances. None of it or any of its Subsidiaries is in material breach of, or material default under, or has received written notice of any material breach of, or material default under, any Real Property Lease, agreement evidencing any Lien or other agreement affecting any lease, license, or sublease or other agreement (**Real Property Lease**) under which it or any of its Subsidiaries uses or occupies or has a right to use or occupy now or in the future, any real property (**Leased Real Property**), which default remains uncured as of the date of this Agreement.

(c) Each Real Property Lease is valid, binding and in full force and effect, and no termination event or condition or uncured material breach or default on the part of it or any of its Subsidiaries exists under any Real Property Lease. No option has been exercised by it or any of its Subsidiaries under any Real Property Lease, and neither it nor any of its Subsidiaries has subleased, licensed or otherwise granted any Person the right to use or occupy the Leased Real

Property or any portion thereof. None of it or any of its Subsidiaries has sold, assigned, transferred, pledged or created or suffered a Lien (except for Permitted Encumbrances) on all or any part of its leasehold interest in the Leased Real Property. As of the date hereof, to its Knowledge, no landlord under any Real Property Lease has indicated that it will not grant its consent to the sublease of the respective Leased Real

Table of Contents

Property or assignment of such Real Property Lease by the tenant thereunder, or that such landlord will condition its granting of any such consent on the payment of any non *de minimis* fee.

(d) The Owned Real Property, the Leased Real Property and any buildings or equipment thereon owned or leased by it or its Subsidiaries have no material defects, are in good operating condition and repair and have been reasonably maintained consistent with standards generally followed in the industry (given due account to the age and length of use of same, ordinary wear and tear excepted), are adequate and suitable for their present and intended uses, and, in the case of buildings (including the roofs thereof), are structurally sound.

Section 3.23. *Permits; Compliance with Laws.*

(a) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each of it and its Subsidiaries is, and since January 1, 2012, has been, in possession of all franchises, grants, authorizations, licenses, easements, variances, exceptions, consents, certificates, approvals and other permits of any Governmental Entity (**Permits**) necessary for it to own, lease and operate its properties and assets or to carry on its business as it is currently being conducted (collectively, its **Required Permits**), and all such Required Permits are in full force and effect. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, no suspension or cancellation of any of the Required Permits is pending or threatened, and no such suspension or cancellation will result from consummation of the Transactions.

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, it and each of its Subsidiaries is, and since January 1, 2012 has been, in compliance with: (i) all Laws applicable to it or such Subsidiary or its respective business or properties; and (ii) all its Required Permits. Neither it nor any of its Subsidiaries is subject to any Order of, or any continuing, pending or threatened in writing formal investigation or formal inquiry by, any Governmental Entity except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(c) Without limiting the generality of the foregoing, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, it and each of its Subsidiaries is, and since January 1, 2012 has been, in compliance with: (i) the Foreign Corrupt Practices Act of 1977, as amended, and any rules and regulations promulgated thereunder; (ii) the Organization for Economic Cooperation and Development Convention Against Bribery of Foreign Public Officials in International Business Transactions and legislation implementing such Convention; and (iii) the United Kingdom Bribery Act of 2010, as amended, and any rules and regulations promulgated thereunder. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, neither it or any of its Subsidiaries nor, to its Knowledge, any of their respective directors, officers, employees or agents, does any business with or involving the government of, any Person or project located in any country targeted by any of the economic sanctions promulgated by any Executive Order issued by the President of the United States or administered by the United States Treasury Department s Office of Foreign Assets Control, or knowingly supports or facilitates any such business or project, in each case other than as permitted under such economic sanctions. Neither it nor any of its Subsidiaries has received any written notice of violation (or allegation of violation) of such sanctions from any Governmental Entity. This Section 3.23 does not relate to its SEC Reports, financial statements or compliance with the Sarbanes-Oxley Act (as associated rules and regulations), which are the subject of Section 3.10, Section 3.11 and Section 3.12.

Section 3.24. *Takeover Statutes.* No fair price, moratorium, control share acquisition, interested shareholder or othe anti-takeover statute or regulation (collectively, **Takeover Statutes**) would reasonably be expected to restrict or prohibit this Agreement, the Statutory Merger Agreement or the Transactions by reason of it being a party to this Agreement and the Statutory Merger Agreement, or performing its obligations hereunder and thereunder and

consummating the Merger and the other Transactions.

Table of Contents

Section 3.25. *Interested Party Transactions.* There are no undisclosed transactions, Contracts, arrangements or understandings between: (a) it and any of its Subsidiaries, on the one hand; and (b) any director, officer or employee of it or any Person (other than it or its Subsidiaries) which owns of record or beneficially any equity interest in it or any of its Subsidiaries, on the other hand, of the type that would be required to be disclosed under Item 404 of Regulation S-K of the SEC (each, an **Interested Party Transaction**).

Section 3.26. *Reserves*.

(a) The insurance reserves for claims, losses (including incurred, but not reported, losses), loss adjustment expenses (whether allocated or unallocated) and unearned premiums of each of its Insurance Subsidiaries contained in its Statutory Statements: (i) were, except as otherwise noted in the applicable Statutory Statement, determined in all material respects in accordance with generally accepted actuarial standards consistently applied as in effect at such time, except as otherwise noted in the financial statements and notes thereto included in such Statutory Statements; (ii) were computed on the basis of methodologies consistent with those used in computing the corresponding reserves in prior fiscal years, except as otherwise noted in the financial statements and the notes thereto included in such Statutory Statements, and (iii) satisfied the requirements of all applicable Laws in all material respects.

(b) With respect to its Insurance Subsidiaries, it has provided or made available to Parent and Merger Sub true and complete copies of: (i) all actuarial reports by independent external actuaries and (ii) all material internal actuarial reports, in each case, prepared on or after January 1, 2012 and prior to the date of this Agreement. The information and data furnished by it and its Insurance Subsidiaries to its actuaries in connection with the preparation of such actuarial reports were (i) obtained from the books and records of the relevant Insurance Subsidiary and (ii) accurate in all material respects for the periods covered in such reports.

Section 3.27. *Insurance Policies*. Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect: (a) all property and liability insurance policies maintained by it and its Subsidiaries covering it and its Subsidiaries are in full force and effect and all premiums due and payable thereon have been paid; (b) neither it nor any of its Subsidiaries is in breach or default of any such insurance policies or has taken any action or failed to take any action which, with notice or the lapse of time or both, would constitute such a breach or default or permit termination or modification of any such insurance policies; and (c) no event has occurred which, with notice or lapse of time, would constitute a breach or default or permit termination or modification under such insurance policies.

Section 3.28. *Proxy Statement*. None of the information contained in the proxy statement and form of proxies relating to the PRE Shareholders Meeting to be held to obtain approval to the PRE Bye-law Amendment and to obtain the Requisite PRE Vote (as it may be amended, supplemented or modified and including any such amendments or supplements, the **Proxy Statement**) at the date of the mailing of the Proxy Statement and at the date of the PRE Shareholders Meeting, will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading except that no representation or warranty is made by PRE with respect to statements made therein based on information supplied by Parent and Merger Sub in writing expressly for inclusion therein. The Proxy Statement will comply as to form in all material respects with the provisions of the Securities Act and the Exchange Act.

Section 3.29. *Opinion of Financial Advisors*. The PRE Board has received the opinion of each of its co-financial advisors, Credit Suisse and Lazard Frères & Co. LLC, dated as of a recent date, to the effect that, as of such date and based upon and subject to the factors and assumptions set forth therein, the PRE Consideration is fair, from a financial point of view, to the holders of PRE Common Shares.

Table of Contents

Section 3.30. *Brokers or Finders*. Other than Credit Suisse and Lazard Frères & Co. LLC, no agent, broker, investment banker, financial advisor is or will be entitled to any broker s, finder s or other similar commission or fee in connection with the Transactions based upon arrangements made by or on behalf of it or any of its Subsidiaries.

Section 3.31. *Environmental Matters.*

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect: (i) no notice, notification, demand, request for information, citation, summons or complaint has been received, no order, judgment decree or injunction has been issued or is otherwise in effect, no penalty has been assessed, and no investigation, action, claim, suit or proceeding is pending or, to its Knowledge, is threatened with respect to it or any of its Subsidiaries (or any of their respective predecessors) that relates to any Environmental Law or Hazardous Substance; (ii) it and its Subsidiaries (and their respective predecessors) are and have at all times been in compliance with all Environmental Laws; and (iii) there are no liabilities or obligations of it or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise arising under or relating to any Environmental Law or any Hazardous Substance and there is no condition, situation or set of circumstances that could reasonably be expected to result in or be the basis for any such liability or obligation.

(b) Other than as does not identify any actual or potential material violation of or material liability under Environmental Law, there has been no environmental investigation, study, audit, test, review or other analysis conducted of which it has Knowledge in relation to its or its Subsidiaries current or prior business or any property or facility now or previously owned or leased by it or any of its Subsidiaries that has not been delivered to Parent and Merger Sub at least five Business Days prior to the date hereof.

(c) The consummation of the transactions contemplated hereby require no filings to be made or actions to be taken pursuant to the New Jersey Industrial Site Recovery Act or the Connecticut Property Transfer Law (Sections 22a-134 through 22-134e of the Connecticut General Statutes).

Section 3.32. *Termination of AXIS Agreement*. PRE has (a) terminated the AXIS Agreement in accordance with its terms and has no further Liabilities thereunder, (b) agreed to pay to AXIS a total amount of $315,000,000 in cash in connection with such termination and PRE has sufficient funds available to satisfy those payment obligations when due and (c) instructed AXIS to return to PRE or destroy any non-public information previously furnished to AXIS or to AXIS Representatives by or on behalf of PRE or any of its Subsidiaries. PRE has delivered to Parent a true and complete copy of the AXIS Termination Agreement.

Section 3.33. *PRE Disclosure Letter*. Except as set forth in Section 3.33 of the PRE Disclosure Letter, the PRE Disclosure Letter is identical to the PRE Disclosure Letter as delivered in connection with the execution and delivery of (and as defined in) the AXIS Agreement.

Section 3.34. *No Other Representations or Warranties*. Except in the case of fraud and except for the representations and warranties set forth in Article 3, Parent and Merger Sub acknowledge and agree that PRE is not making, nor shall either of them have been deemed to have made, any representation or warranty of any kind whatsoever, express or implied, at law or in equity, and PRE disclaims having made any such representation or warranty.

Table of Contents

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Except as set forth in the disclosure letter delivered by Parent and Merger Sub to PRE simultaneously with the execution of this Agreement by Parent and Merger Sub (the **Parent Disclosure Letter**), each of Parent, Merger Sub and Parent Guarantor hereby represents and warrants to PRE as follows (but in the case of Parent Guarantor, only with respect to the matters in Sections 4.01 to 4.05 below)

Section 4.01. *Organization, Standing and Power*. Each of it and its Subsidiaries is a corporation, exempted company, limited liability company or other legal entity duly organized or incorporated, validly existing and in good standing (if and to the extent such term is so recognized in the relevant jurisdiction) under the Laws of its jurisdiction of organization or incorporation, except for those jurisdictions where failure to be in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of it and its Subsidiaries has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as now conducted, except where failure to have such power or authority would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 4.02. *Corporate Authorization*. It has all necessary corporate power and authority to enter into this Agreement and the Statutory Merger Agreement and to consummate the Transactions. The execution, delivery and performance by it of this Agreement, the Statutory Merger Agreement and the consummation by it of the Transactions have been duly and validly authorized by all necessary corporate action on its part. This Agreement and the Statutory Merger Agreement have been approved and adopted by the Requisite Merger Sub Vote.

Section 4.03. *Non-Contravention*. The execution, delivery and performance of this Agreement and the Statutory Merger Agreement (if applicable) by it and the consummation by it of the Transactions to which it is a party do not and will not (assuming the accuracy of the representations and warranties of the other parties hereto made in Section 3.06 and Section 3.08 above):

(a) contravene or conflict with, or result in any violation or breach of, any provision of its Organizational Documents;

(b) contravene or conflict with, or result in any violation or breach of, any Laws or Orders applicable to it or any of its Subsidiaries or by which any of its assets or those of any of its Subsidiaries are bound (collectively, the **Parent Assets**), assuming that all consents, approvals, authorizations, filings and notifications described in Section 4.05 have been obtained or made or, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(c) result in any violation or breach of, or constitute a default (with or without notice or lapse of time or both) under, any Contracts, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(d) require any consent, approval or other authorization of, or filing with or notification to, any Person under any Contracts, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(e) give rise to any termination, cancellation, amendment, modification or acceleration of any rights or obligations under any Contracts, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; or

(f) cause the creation or imposition of any Liens on any Parent Assets, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Table of Contents

Section 4.04. *Board Approval*. Each of the Parent Board, Merger Sub Board and the board of directors of Parent Guarantor, by resolutions duly passed at a meeting duly called and held, has approved and adopted this Agreement and authorized and approved the Transactions to which the Parent, Merger Sub or Parent Guarantor is a party.

Section 4.05. *Governmental Authorizations*. Assuming the accuracy and completeness of the representations and warranties contained in Section 3.08, the execution, delivery and performance of this Agreement and the Statutory Merger Agreement (if applicable) by it and its Subsidiaries and the consummation by it and its Subsidiaries of the Transactions do not and will not require any consent, approval or other authorization of, or filing, license, permit, declaration or registration with or notification to, or waiver from, any Governmental Entity, other than:

(a) those contemplated under Section 3.08 hereof (including Section 3.08 of the PRE Disclosure Letter) (including any not included in the PRE Disclosure Letter upon reliance of Section 3.08(g));

(b) notices, applications, filings, authorizations, orders, approvals and waivers that are set forth in Section 4.05(b) of the Parent Disclosure Letter (the **Specified Approvals**); and

(c) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 4.06. *Financial Capability*. Parent and Merger Sub will each have all funds needed to pay and perform all of its obligations when due under this Agreement.

Section 4.07. *Ownership of Merger Sub; No Prior Activities*.

(a) Merger Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement.

(b) Except for obligations or liabilities incurred in connection with its incorporation or organization and the transactions contemplated by this Agreement, Merger Sub has not and will not prior to the Closing Date have incurred, directly or indirectly, through any Subsidiary or Affiliate, any obligations or liabilities or engaged in any business activities of any type or kind whatsoever or entered into any agreements or arrangements with any Person.

Section 4.08. *Litigation*. There are no Legal Actions pending or, to its Knowledge, threatened against: (a) it or any of its Subsidiaries; or (b) any of its or its Subsidiaries directors, officers or employees or other Person for whom it or any of its Subsidiaries may be liable, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 4.09. *Company Proxy Statement*. The information supplied by Parent and Merger Sub in writing expressly for inclusion or incorporation by reference in the Proxy Statement (and any amendment thereof) will not, at the date first mailed to PRE s shareholders and at the time of the PRE Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading.

Section 4.10. *Tax Opinion*. Parent and Merger Sub have been advised by their counsel, Paul, Weiss, that based on applicable U.S. federal income Tax Law as of the date hereof, as well as the facts and circumstances of the PRE Preferred Shares and the Exchange Offer that exist as of the date hereof, consummation of the Exchange

Table of Contents

Offer on the date hereof should not result in the Exchange Securities (as defined below) being treated as fast-pay stock (within the meaning of Treasury Regulations Section 1.7701(l)-3(b)(2)), and if the Surviving Company were its client, it would be able to provide to the Surviving Company an opinion to such effect, in the form attached hereto as Exhibit B.

Section 4.11. *Brokers or Finders*. Other than Morgan Stanley & Co. LLC and BDT & Company, no agent, broker, investment banker, financial advisor is or will be entitled to any broker s, finder s or other similar commission or fee in connection with the Transactions based upon arrangements made by or on behalf of it or any of its Subsidiaries.

Section 4.12. *No Other Representations or Warranties*. Except in the case of fraud and except for the representations and warranties set forth in Article 4, PRE acknowledges and agrees that Parent and Merger Sub are not making, nor shall have been deemed to have made, any representation or warranty of any kind whatsoever, express or implied, at law or in equity, and Parent and Merger Sub disclaim having made any such representation or warranty.

ARTICLE 5

MUTUAL COVENANTS OF THE PARTIES

Section 5.01. *Preparation of Proxy Statement; Shareholder Meeting.*

(a) As promptly as practicable following the date of this Agreement PRE shall prepare and shall cause to be filed with the SEC the Proxy Statement in preliminary form.

(b) PRE shall use its reasonable best efforts to have the Proxy Statement cleared by the SEC as promptly as practicable after such filing. Parent shall promptly furnish all information concerning it to PRE, including all information required the Exchange Act to be included therein, and provide such other assistance, as may be reasonably requested in connection with the preparation, filing and distribution of the Proxy Statement. PRE shall cause the Proxy Statement to include all information reasonably requested by Parent. Each of PRE and Parent shall promptly correct any information provided by it for use in the Proxy Statement if and to the extent such information shall have become false or misleading in any material respect. PRE shall, as promptly as practicable after the receipt thereof, provide the Parent with copies of any written comments and advise Parent of any oral comments with respect to the Proxy Statement received from the SEC, including any request from the SEC for amendments or supplements to the Proxy Statement or for additional information, and shall provide Parent with copies of all written correspondence between it and its Representatives, on the one hand, and the SEC, on the other hand. PRE shall use its reasonable best efforts to respond as promptly as reasonably practicable to any comments received from the SEC concerning the Proxy Statement and to resolve such comments with the SEC. Prior mailing the Proxy Statement or responding to any comments of the SEC with respect thereto, PRE shall: (i) provide Parent with a reasonable opportunity to review and comment on such document or response or amendment or supplement as applicable (including the proposed final version of such document or response) and (ii) give due consideration to incorporating in such document or response any comments reasonably proposed by Parent. PRE shall also use its reasonable best efforts to take any other action (other than qualifying to do business in any jurisdiction in which it is not so qualified on the date of this Agreement) required to be taken under any applicable securities Laws in connection with the Transactions, with respect to the treatment of PRE Options, PRE SARs and PRE Other Share-Based Awards pursuant to Section 2.03, and PRE shall furnish all information concerning PRE and the PRE Shareholders, holders of PRE Options, PRE SARs and PRE Other Share-Based Awards as may be reasonably requested in connection with any such action.

(c) If, at any time prior to the Effective Time, either PRE or Parent obtains Knowledge of any information pertaining to it or previously provided by it for inclusion in the Proxy Statement that would require any amendment or

supplement to Proxy Statement so that any such document would not include any untrue statement

Table of Contents

of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, such party shall promptly advise the other party thereof and PRE and Parent shall cooperate in the prompt filing with the SEC of any necessary amendment or supplement to the Proxy Statement and, as required by applicable Law, in disseminating the information contained in such amendment or supplement to the shareholders of PRE.

(d) PRE shall, in accordance with its Bye-Laws and applicable Law, duly call, give notice of, convene and hold a meeting of the shareholders of PRE (the **PRE Shareholders Meeting**) for purposes of seeking and obtaining the approval of the PRE Bye-law Amendment and the Requisite PRE Vote as soon as reasonably practicable after the date of this Agreement (but in no event later than 40 days after the mailing of the Proxy Statement). Without the prior written consent of Parent, no proposals other than the PRE Bye-law Amendment Requisite PRE Vote and routine proposals required in connection therewith shall be included in the Proxy Statement or transacted at the PRE Shareholders Meeting. Unless the PRE Board shall have made a Change of Recommendation, as permitted by Section 6.08(e), PRE shall: (i) use its reasonable best efforts to solicit or cause to be solicited from its shareholders, in accordance with applicable Law, its Bye-Laws and the rules and regulations of the NYSE, proxies to secure the PRE Bye-law Amendment and the Requisite PRE Vote; (ii) include the PRE Board Recommendation in the Proxy Statement; and (iii) take all other actions necessary or advisable to secure the PRE Bye-law Amendment and the Requisite PRE Vote. Within 2 Business Days following the Solicitation Period, the PRE Board shall publicly reaffirm the PRE Board Recommendation. PRE agrees that, unless this Agreement has been terminated in accordance with Section 8.01, its obligations pursuant to this Section 5.01 shall not be affected by the commencement, public proposal, public disclosure or communication to PRE of any Acquisition Proposal with respect to PRE or by a Change of Recommendation by the PRE Board.

(e) Following the PRE Shareholders Meeting and at or prior to the Closing, PRE shall deliver to the corporate secretary of Parent a certificate setting forth the voting results from the PRE Shareholder Meeting.

Section 5.02. *Access to Information; Confidentiality*. Subject to applicable Law, PRE shall, and shall cause each of its Subsidiaries to, permit Parent and its Representatives (including debt financing sources), during the period before the earlier of the termination of this Agreement pursuant to Article 8 and the Effective Time, to: (a) have reasonable access for reasonable purposes related to the consummation of the Transactions, during normal business times and upon reasonable advance written notice, to PRE s premises, properties, management, accountants, personnel, books, records, contracts and documents and (b) promptly furnish to Parent and its Representatives such information concerning its business, personnel and prospects as reasonably requested; *provided*, that, Parent and its Representatives shall conduct any such activities in such a manner as not to interfere unreasonably with the business or operations of PRE; *provided*, *further*, that PRE shall not be obligated to provide such access or information if doing so could violate applicable Law or a Contract or obligation of confidentiality owing to a third party, or waive the protection of an attorney-client privilege or other legal privilege, in each case to the extent existing as of the date hereof (as long as PRE has used commercially reasonable efforts to obtain the consent of any third party required thereunder). Information exchanged pursuant to this Section 5.02 shall be subject to the confidentiality agreement, dated July 31, 2015 between Parent and PRE, the **Confidentiality Agreement**). No investigation conducted under this Section 5.02 will affect or be deemed to modify any representation or warranty made in this Agreement, and PRE and Parent agree that the Confidentiality Agreement shall terminate immediately upon the Closing.

Section 5.03. Filings; *Reasonable Best Efforts; Notification.*

(a) Upon the terms and subject to the conditions of this Agreement and in accordance with applicable Laws, each of the parties shall use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable on their part to

consummate and make effective, in the most expeditious manner practicable and in any event prior to the End Date, the Merger and the other Transactions, including: (i) the obtaining of all necessary actions or nonactions, waivers, consents, licenses, permits, authorizations, orders and approvals from Governmental

Table of Contents

Entities and the making of all other necessary registrations and filings; (ii) the obtaining of all consents, approvals or waivers from third parties that are necessary or desirable or required in connection with the Transactions and material to the business of PRE; (iii) the preparation of the Proxy Statement; (iv) the execution and delivery of any additional instruments necessary to consummate any of the Transactions; and (v) the providing of all such information concerning such party, its Affiliates and its Affiliates officers, directors, employees and partners as may reasonably be requested or necessary in connection with any statement, filing, action or application or any of the matters described in this Section 5.03.

(b) In furtherance and not in limitation of the foregoing, each of PRE and Parent agrees to make the appropriate initial application filings and notifications required by the Transaction Approvals as promptly as practicable after the date hereof, including in connection with approvals required pursuant to the HSR Act and filings and notifications with respect to the Bermuda Monetary Authority and Registrar. Subject to applicable Laws relating to the exchange of information, Parent and PRE shall have the right to review in advance and, to the extent practicable, each will consult with the other on and consider in good faith the views of the other in connection with, all the information relating to Parent or PRE, as the case may be, and any of their respective Affiliates, that appears in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with this Agreement, the Statutory Merger Agreement and the Transactions. In exercising the foregoing rights, each of Parent and PRE shall act reasonably and as promptly as practicable. None of PRE, Parent or any of their respective Affiliates shall permit any of their respective Representatives to participate in any meeting with any Governmental Entity (including any Insurance Regulator) in respect of any filings, investigation or other inquiry relating to this Agreement, the Statutory Merger Agreement and the Transactions unless it consults with the other party in advance and, to the extent permitted by such Governmental Entity and applicable Laws, gives the other party the opportunity to attend and participate at such meeting.

(c) Subject to applicable Laws and as required by any Governmental Entity, Parent and PRE shall each keep the other apprised of the status of matters relating to the consummation of the Transactions, including promptly furnishing the other party with copies of non-routine notices or other communications received by Parent, PRE or any of their respective Affiliates, as the case may be, from any third party or any Governmental Entity with respect to the Transactions. If Parent or PRE receives a request for information or documentary material from any such Governmental Entity that is related to the Transactions, then such party will endeavor in good faith to make, or cause to be made, as soon as reasonably practicable and after consultation with the other party, an appropriate response to such request. Parent and its Affiliates shall advise PRE, and PRE and its Affiliates shall advise Parent, prior to making or entering into any understandings, undertakings or agreements (oral or written) in connection with the Transactions with the Federal Trade Commission, the Department of Justice, any Insurance Regulator or any other Governmental Entity or any private party challenging the Transactions.

(d) In connection with subsections 5.03(a), 5.03(b) and 5.03(c) above: (i) neither party nor any of its Subsidiaries shall be required to sell, divest, hold separate, or otherwise dispose of any of its or its Subsidiaries respective businesses, product lines or assets; (ii) the Surviving Company and its Subsidiaries shall not be required to conduct the businesses of Parent and its Subsidiaries and PRE and its Subsidiaries, taken as a whole after giving effect to the Merger in a specified manner; and (iii) no party shall be required to agree to (A) take any of the actions set forth in clause (i) or (ii), (B) take any other action or (C) any restriction, limitation or condition that, in the case of any of clause (i), (ii) or this clause (iii), would or would reasonably be expected to have a Material Adverse Effect on the Surviving Company and its Subsidiaries taken as a whole after giving effect to the Merger (such material adverse effect, a **Regulatory Material Adverse Effect**).

Section 5.04. *AXIS Termination Fees*. PRE shall satisfy all obligations when due under the AXIS Termination Agreement.

Section 5.05. *Public Announcements*. Except: (a) as required by applicable Law or requirements of the NYSE (and in that event only if time does not permit), (b) with respect to any Change of Recommendation by the PRE Board that has occurred pursuant to Section 6.08, or (c) in connection with any unsolicited Acquisition

Table of Contents

Proposal made to, or received by, PRE at any time following the date of this Agreement, at all times prior to the earlier of the Closing or termination of this Agreement pursuant to Section 8.01, Parent and PRE shall consult with each other before issuing, and shall give each other the opportunity to review and approve, any press release or other public statement or any broadly-distributed emails or memos to non-executive employees relating to this Agreement or any of the Transactions and shall (i) not issue any such press release or make such other public statement or comment or issue any such broadly-distributed emails or memos to non-executive employees prior to such review and subsequent approval and (ii) include in such press release or other public statement or comment or in such broadly-distributed emails or memos to non-executive employees all comments reasonably proposed by the other party.

Section 5.06. *Section 16 Matters*. Prior to the Effective Time, PRE shall take such steps as may be reasonably necessary or advisable to cause the dispositions of PRE s equity securities (including derivative securities thereof) resulting from the Transactions by each individual who is a director or officer of PRE subject to Section 16 of the Exchange Act, or who will become subject to Section 16 of the Exchange Act, to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Section 5.07. *Notification of Certain Matters*.

(a) PRE shall promptly notify Parent, and Parent shall promptly notify PRE, of: (i) any communication from any Person alleging that the consent of such Person (or another Person) is or may be required in connection with the Transactions; (ii) any communication from any Governmental Entity in connection with the Transactions; (iii) any Legal Actions threatened or commenced against or otherwise affecting PRE or any of its Subsidiaries (in the case of PRE) or Parent or any of its Subsidiaries (in the case of Parent) that are related to the Transactions (including any Legal Action brought by a shareholder of PRE, in accordance with Section 5.07(b)) or (iv) any event, change, occurrence, circumstance or development between the date of this Agreement and the Effective Time which causes or is reasonably likely to cause a Material Adverse Effect.

(b) PRE shall promptly advise Parent, orally and in writing, of any Legal Action brought by any shareholder of PRE, either derivatively, individually or on behalf of a putative class of shareholders as applicable, against PRE or its respective directors or officers relating to this Agreement or the Transactions. PRE shall give Parent the opportunity to participate, in any such Legal Action, including the defense or settlement of any Legal Action initiated by any shareholder of PRE, either derivatively, individually or on behalf of a putative class of shareholders as applicable, or any of its respective directors or officers relating to the Transactions, and no such settlement shall be agreed to without the prior written consent of Parent, as applicable, which consent shall not be unreasonably withheld, conditioned or delayed.

Table of Contents

ARTICLE 6

ADDITIONAL COVENANTS OF THE PARTIES

Section 6.01. *Conduct of Operations of PRE*. Except as required by applicable Law as otherwise expressly provided in this Agreement or as set forth in Section 6.01 of the PRE Disclosure Letter, without the prior written consent of Parent, such consent not to be unreasonably withheld, conditioned or delayed, PRE shall, and shall cause each of its respective Subsidiaries to: (1) conduct its operations only in the ordinary course of business consistent with past practice; and (2) use its commercially reasonable efforts to maintain and preserve intact its business, maintain its Permits and to preserve the goodwill of its customers, cedents, reinsureds, retrocessionaires, reinsurance brokers, regulators, suppliers and other Persons with whom it has material business relationships. Without limiting the generality of the foregoing, from the date of this Agreement and until the Closing, and except as required by applicable Law, expressly provided in this Agreement or set forth in Section 6.01 of the PRE Disclosure Letter, PRE shall not, and shall not permit any of its Subsidiaries to, take any of the following actions, without the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed):

(a) Amend or propose to amend its Memorandum of Association or Bye-Laws (other than the PRE Bye-law Amendment) or other Organizational Documents (whether by merger, amalgamation, consolidation or otherwise) or waive any requirement thereof;

(b) Declare or pay, or propose to declare or pay, any dividends on or make other distributions in respect of any of its share capital, whether in cash, shares or property or any combination thereof, except for: (i) dividends paid by a direct or indirect wholly owned Subsidiary to it or its other wholly owned Subsidiaries; and (ii) ordinary course quarterly cash dividends on PRE Common Shares and PRE Preferred Shares, with record and payment dates consistent with past practice, *provided*, that, in the case of this clause (ii), (A) the quarterly cash dividends payable in respect of PRE Common Shares shall be permitted to increase to an amount not to exceed $0.70 per share per quarter, and (B) PRE shall be entitled to pay immediately prior to the Effective Time on PRE Common Shares, for the quarter in which the Closing Date occurs, a *pro rata* dividend for the period from the first day of such quarter until the day immediately preceding the Closing Date. Notwithstanding the foregoing or any other provisions of this Agreement to the contrary, PRE may declare and pay, and PRE agrees to declare and pay, a one-time extraordinary cash dividend to holders of record (collectively, the **Relevant Record Holders**) of PRE Common Shares immediately prior to the Effective Time (the **Conditional Dividend Record Date**) in the amount of $3.00 per PRE Common Share held by each such holder on the Conditional Dividend Record Date, which dividend (the **Conditional Extraordinary Dividend**) shall be declared prior to the PRE Shareholder Meeting, but shall only become payable, and such payment shall be conditioned, upon the occurrence of the Effective Time. PRE shall be permitted to incur indebtedness for the purposes of paying all or part of the Conditional Extraordinary Dividend; provided that PRE shall consult in good faith with Parent prior to such incurrence regarding the terms and timing of such incurrence. The parties hereto agree that on and after the Effective Time (i) each Relevant Record Holder shall be entitled to receive the Conditional Extraordinary Dividend in respect of each PRE Common Share held by each such holder on the Conditional Dividend Record Date, in addition to any PRE Consideration that such Relevant Record Holder shall be entitled to receive in respect of each such PRE Common Share under the Agreement pursuant to the Merger, (ii) each PRE Other Share-Based Award that is outstanding on the Conditional Dividend Record Date shall become entitled to receive the Conditional Extraordinary Dividend in respect of each PRE Common Share subject to such PRE Other Share-Based Award, subject to and in accordance with the terms of the applicable grant or award agreement (including, for the avoidance of doubt, that the number of PRE Common Shares underlying each performance share unit award shall be determined as if the maximum performance were achieved), in addition to any PRE Consideration that such Relevant Record Holder shall be entitled to receive in respect of each such PRE Common Share under the Agreement pursuant to the Merger, (iii) each PRE Option that is outstanding on the Conditional Dividend Record Date shall become entitled to

receive the Conditional Extraordinary Dividend in respect of each PRE Common Share subject to such PRE Option, subject to and in accordance with the terms of the applicable grant or award agreement, in addition to any PRE Consideration that such Relevant Record Holder shall be entitled to

Table of Contents

receive in respect of each such PRE Common Share under the Agreement pursuant to the Merger and (iv) each PRE SAR that is outstanding on the Conditional Dividend Record Date shall become entitled to receive the Conditional Extraordinary Dividend in respect of each PRE Common Share subject to such PRE SAR, subject to and in accordance with the terms of the applicable grant or award agreement, in addition to any PRE Consideration that such Relevant Record Holder shall be entitled to receive in respect of each such PRE Common Share under the Agreement pursuant to the Merger;

(c) (i) Adjust, subdivide, consolidate or reclassify its share capital or issue, deliver or sell or authorize or propose the issuance, delivery or sale of any other securities in respect of, in lieu of or in substitution for, its share capital or that of its Subsidiaries; (ii) redeem, purchase or otherwise acquire, or offer to purchase, redeem or otherwise acquire, directly or indirectly, any shares or any securities convertible or exchangeable into or exercisable for any shares; (iii) grant any Person any right or option to acquire any shares; (iv) issue, deliver or sell (other than repurchases in the ordinary course pursuant to employee benefit plans or employment agreements, in each case in effect on the date hereof) any additional shares or any securities convertible or exchangeable into or exercisable for any shares or such securities; or (v) enter into any Contract, understanding or arrangement with respect to the sale, voting, registration or repurchase of its share capital, other than, as may be applicable in each case: (A) the issuance of PRE Common Shares required to be issued upon the exercise or settlement of PRE Options or other equity-related awards outstanding on the date hereof under the PRE Share Plans, in effect on the date hereof (including any PRE Common Shares issued for any associated payment of exercise price and/or withholding taxes and the purchase of PRE Common Shares under the Purchase Plans pursuant to Section 6.05(a)), (B) issuances, sales or transfers by a wholly owned Subsidiary of share capital, to it or another of its wholly owned Subsidiaries, and (C) grants of equity awards to its or its Subsidiaries employees in the amounts, and with the vesting schedule, set forth in Section 6.01(c) of the PRE Disclosure Letter;

(d) Except as required under any Benefit Plan in effect as of the date of this Agreement, and except with respect to any bonuses accrued but unpaid as of December 31, 2014 pursuant to a Benefit Plan disclosed in Section 3.18(a) or Section 3.18(f), (i)grant or increase any severance, change in control, retention or termination payments or benefits or any equity or equity-based compensation to any of its Associates (except for equity awards pursuant to Section 6.01(c)(C) or set forth on Section 6.01 of the PRE Disclosure Letter or granted in the ordinary course of business to non-employee directors and non-equity based compensation in the ordinary course of business with respect to employees who are not directors or executive officers), (ii) increase, or commit to increase, the compensation, bonus or benefits of any of its Associates (except for equity awards pursuant to Section 6.01(c)(C) and non-equity in the ordinary course of business with respect to employees who are not directors or executive officers), (iii) establish, adopt, terminate or amend any Benefit Plan or any benefit plan, agreement, program, policy, commitment or other arrangement that would be a Benefit Plan if it were in existence as of the date of this Agreement (other than routine changes to welfare plans), (iv) take any affirmative action to accelerate the vesting or payment of, or fund or in any other way secure the payment of, compensation or benefits under any Benefit Plan, (v) hire or promote any Associate, or (vi) terminate, without cause, any of its employees, in each case of (v) and (vi) other than in the ordinary course of business and consistent with past practice; *provided*, that upon notification of and consultation with Parent during the process, it may hire employees to fill a vacancy as a result of the termination of employment of an employee on the date of this Agreement so long as (A) such terminated employee s aggregate annual compensation and benefits during 2014 were less than $500,000 (with applicable adjustments made for periods of employment of less than a full calendar year) and (B) such replacement employee s aggregate annual compensation and benefits (with applicable adjustments made for periods of employment of less than a full calendar year) are not in excess of the compensation and benefits that were provided to the terminated employee during 2014 (with applicable adjustments made for periods of employment of less than a full calendar year);

(e) (i) Acquire, by merger, amalgamation, consolidation, acquisition of equity interests or assets, or otherwise, any business or any corporation, partnership, limited liability company, joint venture or other Person or division thereof, or any substantial portion thereof, or (ii) sell, lease, assign, transfer, license, encumber, abandon or otherwise dispose of, or agree to sell, lease, assign, transfer, license, encumber, abandon or otherwise

Table of Contents

dispose of, any of its material assets, product lines, businesses, rights or properties (including capital stock or share capital of its Subsidiaries and indebtedness of others held by it and its Subsidiaries), other than as may be applicable in each case (A)transactions between it and any of its wholly owned Subsidiaries or transactions between any such wholly owned Subsidiaries, (B) the acquisition or disposition of Investment Assets in the ordinary course of business and in accordance with its Investment Guidelines, (C) acquisitions or dispositions, including in either case by lease or license, of immaterial or obsolete supplies, products, office equipment, furnishings, fixtures or other tangible assets (including software) in the ordinary course of business, and (D) the creation or incurrence of a Permitted Encumbrance;

(f) Establish, adopt or enter into any collective bargaining agreement or similar labor agreement;

(g) Make or authorize any capital expenditures individually in excess of $2,000,000;

(h) (i) Enter into, terminate, modify or amend in any material respect any Material Contract, (ii) enter into any new Ceded Reinsurance Contract except in the ordinary course of business consistent with past practice, (iii) enter into any Contract that would limit or otherwise restrict it or any of its Subsidiaries or any of their successors, or that would, after the Effective Time, limit or otherwise restrict the Surviving Company or any of its Subsidiaries or any of their successors, from engaging or competing in any line of business, in any geographic area or with any Person in any material respect, (iv) enter into, modify or amend any Contract constituting or relating to an Interested Party Transaction, (v) enter into, modify or amend any Contract involving the assumption or insurance by it or any of its Subsidiaries of liabilities other than in material compliance with their existing risk management and underwriting policies, practices and guidelines, (vi) terminate, cancel, request any material change or waive any of its material rights in connection with any Material Contract, Ceded Reinsurance Contract or Real Property Lease or (vii) enter, to the extent material, any new lines of business, classes or any markets in which it and its Subsidiaries do not operate as of the date of this Agreement;

(i) Incur, assume, guarantee or prepay any indebtedness, issue or sell any debt securities or warrants or other rights to acquire any debt securities of it or any of its Subsidiaries, or enter into any keep well or other agreement to maintain any financial condition of another Person, or enter into any swap or hedging transaction or other derivative agreements, other than: (i) indebtedness incurred under the PRE Credit Facilities to support the insurance and reinsurance obligations of its Insurance Subsidiaries in the ordinary course of their business, including the replacement of existing or maturing letters of credit issued thereunder; (ii) any amendment or replacement of the PRE Credit Facilities in connection with the Transactions; (iii) indebtedness for borrowed money among it and any of its wholly-owned Subsidiaries or among any of its wholly-owned Subsidiaries; and (iv) any swap or hedging transaction or other derivative agreements entered into: (A) in the ordinary course of business in connection with Investment Assets and in accordance with its Investment Guidelines; or (B) in the ordinary course of business in connection with its weather and commodities business;

(j) (i) Except as provided in Section 6.01(j) of the PRE Disclosure Letter make any loans, advances or capital contributions to, or investments in, any other Person, other than to any of its wholly-owned Subsidiaries or (ii) make, forgive or discharge, in whole or in part, any loans or advances to any of its or its Subsidiaries current or former Associates;

(k) Change the accounting policies or procedures of it or any of its Subsidiaries, other than as required by changes in applicable Laws, GAAP, Regulation S-X of the SEC or Applicable SAP;

(l) Change any material method of Tax accounting, settle or compromise any audit or other proceeding relating to a material amount of Tax, make or change any material Tax election or file any material Tax Return (including any

material amended Tax Return), agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of Taxes, enter into any closing agreement with respect to any material amount of Tax or surrender any right to claim any material Tax refund;

Table of Contents

(m) Alter or amend in any material respect any existing underwriting, claim handling, loss control, investment, reserving or actuarial practice, guideline or policy or any material assumption underlying any reserves or actuarial practice or policy, except as may be required by GAAP, Applicable SAP or applicable Laws;

(n) Settle or compromise, or offer to do the same with respect to, any Legal Action, in each case made or pending against, or made by or contemplated to be made by, as applicable, it or any of its Subsidiaries, or any of their officers and directors in their capacities as such, other than the settlement of any Legal Actions that: (i) are solely for monetary damages for an amount not to exceed $500,000 for any such settlement individually or $2,000,000 in the aggregate; or (ii) are in the ordinary course for claims under Policies and Reinsurance Contracts within applicable policy or contractual limits;

(o) Acquire or dispose of any Investment Assets in any manner inconsistent with its Investment Guidelines;

(p) Amend, modify or otherwise change its Investment Guidelines in any material respect;

(q) Adopt or enter into any plan or agreement of complete or partial liquidation or dissolution, merger, amalgamation, consolidation, restructuring, recapitalization or other reorganization of it or any of its Subsidiaries;

(r) Cancel any material indebtedness or waive any claims or rights of material value, in each case other than in the ordinary course of business;

(s) Abandon, modify, waive or terminate any material Permit; or

(t) Agree, authorize or commit to do any of the foregoing.

Section 6.02. *Bermuda Required Actions*. Prior to the Effective Time: (a) PRE shall: (i) procure that the statutory declaration required by Section 108(3) of the Companies Act is duly sworn by one of its officers; and (ii) prepare a duly certified copy of the PRE shareholder resolutions evidencing the Requisite PRE Vote and deliver such documents to Parent; and (b) Parent shall: (i) procure that the statutory declaration required by Section 108(3) of the Companies Act is duly sworn by one of its officers; and (ii) prepare a duly certified copy of the Merger Sub shareholder resolutions evidencing the Requisite Merger Sub Vote and deliver such documents to PRE.

Section 6.03. *Indemnification; Directors and Officers Insurance*.

(a) From and after the Effective Time, subject to applicable Law, the Surviving Company shall indemnify, defend and hold harmless, and provide advancement of expenses to, the present and former officers and directors of PRE and its Subsidiaries (collectively, the **Indemnified Parties**) against all losses, claims, damages, costs, expenses, liabilities or judgments that are paid in settlement of or in connection with any Legal Action based or arising, in whole or in part, on such Indemnified Party s service as an officer or director of PRE or any of its respective Subsidiaries prior to the Effective Time, whether asserted or claimed prior to, at or after, the Effective Time (including acts or omissions occurring in connection with the approval of this Agreement and the consummation of the Transactions) to the fullest extent provided or permitted under PRE s Organizational Documents and any indemnification agreement entered into between PRE or any of its Subsidiaries and such Indemnified Party as in effect as of the date of this Agreement.

(b) The Surviving Company shall, at the Effective Time, purchase, a **tail** directors and officers liability insurance policy, for PRE s and its Subsidiaries present and former directors and officers who are covered prior to the Effective Time by existing policies of directors and officers liability insurance, with coverage for six years following the Effective Time and on other terms that provide at least substantially equivalent benefits to the

Table of Contents

covered persons as such existing policies. If such prepaid tail policy has been obtained by the Surviving Company, it shall be deemed to satisfy all obligations pursuant to this Section 6.03(b) and the Surviving Company shall use its reasonable best efforts to cause such tail policy to be maintained in full force and effect for its full term and to honor all of its obligations thereunder.

(c) If the Surviving Company or any of its respective successors or assigns: (i) shall consolidate with or merge into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger; or (ii) shall transfer all or substantially all of its properties or assets to any Person, then, in each case, the Surviving Company or any of its respective successors and assigns, as applicable, shall take such action as may be necessary so that such Person shall assume all of the applicable obligations set forth in this Section 6.03.

(d) This Section 6.03 is intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties and their heirs and representatives, and is in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Indemnified Party may have by Contract, applicable Law or otherwise.

Section 6.04. *Intentionally Left Blank.*

Section 6.05. *Employees and Employee Benefits*.

(a) For a period of one (1) year following the Closing Date (the **Continuation Period**), Parent shall, or shall cause the Surviving Company or any of its Affiliates to, provide to each Continuing Employee (i) the same salary or hourly wage rate provided to such Continuing Employee immediately prior to the Effective Time, (ii) the same short-term (annual or more frequent) bonus or commission opportunity provided to such Continuing Employee immediately prior to the Effective Time and (iii) other compensation and benefits (excluding equity and equity-based awards, which will remain discretionary) that are no less favorable in the aggregate, determined on an individual basis, as those provided to such Continuing Employee under the compensation and benefit plans, programs, policies, agreements and arrangements of PRE and its Subsidiaries in effect immediately prior to the Effective Time. Without limiting the foregoing, and with the intention of retaining key employees, it is EXOR s intention to have PartnerRe implement total compensation packages, including incentive compensation, that will be market competitive and will take into account the prior total compensation opportunity of Continuing Employees.

(b) Prior to the Effective Time, PRE shall take all actions necessary or required under the ESPP and SSPP (together, the **Purchase Plans**) and any applicable Laws to: (i) ensure that no offering period shall be authorized or commenced on or after the date of this Agreement; (ii) no PRE employees will be permitted to begin participating in the Purchase Plans, and no existing participants in the Purchase Plans will be permitted to make additional deferrals or increase elective deferral rates in respect of the current offering period under such Purchase Plan, in each case, on or after the date of this Agreement; and (iii) if the Closing shall occur prior to the end of the offering period in existence under the respective Purchase Plan, on the date of this Agreement, cause the rights of participants in such Purchase Plan, as applicable, with respect to any such offering period then underway to be determined by treating the last Business Day prior to the Effective Time as the last day of such offering period and by making such other pro rata adjustments as may be necessary to reflect the shortened offering period but otherwise treating such shortened offering period as a fully effective and completed offering period for all purposes under such Purchase Plan. PRE shall terminate each Purchase Plan in its entirety effective as of the Effective Time. Prior to the Effective Time, PRE shall take all actions (including, if appropriate, amending the terms of the Purchase Plans) that are necessary to give effect to the transactions contemplated by this Section 6.05.

(c) With respect to any employee benefit plan maintained by the Surviving Company or any of its Affiliates in which any Continuing Employee becomes a participant, such Continuing Employee shall receive full credit for

Table of Contents

purposes of eligibility to participate and vesting thereunder (but not for purposes of benefit accrual or vesting of equity compensation) for service with PRE or any of its respective Subsidiaries (or predecessor employers to the extent PRE provides such past service credit) to the same extent that such service was recognized as of the Effective Time under a comparable plan of the applicable entity in which the Continuing Employee participated.

Section 6.06. *Stock Exchange Delisting*. PRE shall use its reasonable best efforts to cause the PRE Common Shares to be de-listed from the NYSE and deregistered under the Exchange Act promptly following the Effective Time.

Section 6.07. *Intentionally Left Blank.*

Section 6.08. *Acquisition Proposals.*

(a) Notwithstanding anything to the contrary contained in this Agreement, during the period beginning on the date of this Agreement and continuing until 11:59 p.m. (New York time) on September 14, 2015 (the **Go-Shop Period End Date**, such period, the **Solicitation Period**), PRE and its Subsidiaries and their respective Representatives shall have the right to (i) initiate, solicit or encourage any inquiry or the making of any proposal or offer that constitutes an Acquisition Proposal (except that the reference to 15% in such term will be deemed changed to 50% for purposes of this Section 6.08(a)), including by providing information (including non-public information and data) regarding, and affording access to the business, properties, assets, books, records and personnel of, PRE and its Subsidiaries to any Person pursuant to an Acceptable Confidentiality Agreement (it being understood that such Acceptable Confidentiality Agreement (A) must contain standstill or similar provisions or otherwise prohibit the making or amendment of any Acquisition Proposal not solicited by the PRE Board to the maximum extent permissible under applicable Law and (B) shall not include an obligation of PRE to reimburse such Person s expenses); *provided*, that PRE shall make available to Parent (at substantially the same time) any non-public information concerning PRE or its Subsidiaries that is provided to any Person given such access that was not previously made available to the Parent, and (ii) engage in, enter into, continue or otherwise participate in any discussions or negotiations with any Persons or group of Persons with respect to any Acquisition Proposals and cooperate with or assist or participate in or facilitate any such inquiries, proposals, discussions or negotiations or any effort or attempt to make any Acquisition Proposal. PRE shall promptly (and in any event within 24 hours) notify Parent in writing of the identity of each Person or group of Persons from whom PRE receives an Acquisition Proposal during the Solicitation Period, the material terms and conditions of such Acquisition Proposal (including the financing sources, if applicable), and a copy of such Acquisition Proposal (including any agreements relating to such financing, if applicable).

(b) Subject to Section 6.08(a) and Section 6.08(d) through Section 6.08(i), PRE agrees that, from the date of this Agreement until the Effective Time or, if earlier, the date of termination of this Agreement in accordance with Article 8, neither it nor any of its Subsidiaries shall, and it shall use its reasonable best efforts to cause its and its Subsidiaries directors, officers, employees, agents, investment bankers, attorneys, accountants and other representatives (**Representatives**) not to, directly or indirectly: (i) initiate, solicit or take any action to knowingly facilitate or knowingly encourage any inquiries or requests for information with respect to, the making of, or that could reasonably be expected to result in, an Acquisition Proposal; (ii) enter into, participate or engage in any negotiations concerning, or provide any non-public information or data relating to it or any of its Subsidiaries to any Person or afford access to the resources, properties, assets, books or records of it or any of its Subsidiaries to any Person relating to, in connection with, or in response to an Acquisition Proposal, or any inquiry or indication of interest that could reasonably expected to result in an Acquisition Proposal; (iii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal; (iv) approve or recommend, or propose publicly to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, merger or amalgamation agreement, acquisition agreement, option agreement or other similar agreement relating to any Acquisition Proposal (each an **Acquisition Agreement**); (v) terminate, amend, release, modify or fail to enforce any provision (including any standstill or other

provision) of, or grant any permission, waiver or request under, any confidentiality, standstill or similar agreement (including an

Table of Contents

Acceptable Confidentiality Agreement) or obligations of any Person (other than in respect of Parent); or (vi) propose publicly or commit, authorize or agree to do any of the foregoing relating to any Acquisition Proposal.

(c) Subject Section 6.08(d) through Section 6.08(i), prior to the Closing, neither the PRE Board nor any committee thereof shall, directly or indirectly: (i) withhold, withdraw, modify or qualify, or publicly propose to withhold, withdraw, modify or qualify, in a manner adverse to Parent, the PRE Board Recommendation; (ii) approve, adopt, recommend or declare advisable, or publicly propose to approve, adopt, recommend or declare advisable, any Acquisition Proposal or otherwise enter into or permit PRE to enter into any Acquisition Agreement; (iii) if a tender offer or exchange offer for any issued and outstanding shares PRE is commenced prior to obtaining the Requisite PRE Vote, fail to recommend against acceptance of such tender offer or exchange offer by its respective shareholders (including, for these purposes, by taking no position or a neutral position in respect of the acceptance of such tender offer or exchange offer by its shareholders, which shall be deemed to be a failure to recommend against the acceptance of such tender offer or exchange offer) within five Business Days after commencement thereof (or in the event of a change in the terms of the tender offer or exchange offer, within five Business Days of the announcement of such changes); or (iv) fail to include the PRE Board Recommendation in the Proxy Statement (any action described in clauses (i)-(iv) above being referred to as a **Change of Recommendation**).

(d) Notwithstanding the limitations set forth in Section 6.08(b) and Section 6.08(c), and in addition to the rights of PRE pursuant to Section 6.08(a), until the earlier of receipt of the Requisite PRE Vote and any termination of this Agreement pursuant to Section 8.01, if PRE receives a written unsolicited bona fide Acquisition Proposal that the PRE Board has determined in good faith, after consultation with its outside legal counsel and financial advisors:
(i) constitutes a Superior Proposal; or (ii) would reasonably be likely to result in a Superior Proposal, then PRE may:
(A) furnish or disclose nonpublic information to the Person making such Acquisition Proposal if, prior to furnishing such information, PRE receives from the third party an executed Acceptable Confidentiality Agreement and
(B) engage in discussions or negotiations with such Person with respect to such Acquisition Proposal, in each case only if the PRE Board determines in good faith, after consultation with its outside legal counsel that failure to do so would violate the fiduciary duties of the PRE Board under applicable Law.

(e) Notwithstanding anything in this Agreement to the contrary, the PRE Board, at any time prior to the receipt of the Requisite PRE Vote, in response to the receipt of a written unsolicited bona fide Acquisition Proposal received after the date of this Agreement (or any bona fide Acquisition Proposal received during the Solicitation Period), which the PRE Board determines in good faith, after consultation with its outside legal counsel and financial advisors constitutes a Superior Proposal, shall be permitted to either: (i) effect a Change of Recommendation or (ii) if the Superior Proposal is received during the Solicitation Period, terminate this Agreement and concurrently enter into a definitive agreement with respect to such Superior Proposal (such agreement, the **Superior Acquisition Agreement** ; the termination referred to in clause (ii), a **Go-Shop Termination**); *provided*, that such Go-Shop Termination must occur no later than the sixth Business Day immediately following the Go-Shop Period End Date; *provided*, *further*, that solely with respect to a Change of Recommendation, the PRE Board determines in good faith, after consultation with its outside legal counsel and financial advisors, that the failure to make such Change of Recommendation would violate the fiduciary duties of the PRE Board under applicable Law. Notwithstanding the foregoing, the PRE Board shall not be permitted to effect such a Change of Recommendation or Go-Shop Termination unless and until (A) at least five Business Days shall have passed following the Parent Board s receipt of a written notice from PRE (the **Superior Proposal Notice**) that includes PRE s reasons for the Change of Recommendation or Go-Shop Termination and the material terms and conditions of any Superior Proposal (including the identity of the party making such proposal and its financing sources (if applicable), the most current version of the proposed agreement relating thereto and any agreement relating to such financing) that is the basis of the proposed Change of Recommendation or Go-Shop Termination (it being understood and agreed that any amendment to the financial or other material terms (including the form or allocation of consideration) of such Superior Proposal shall require

Table of Contents

a new Superior Proposal Notice and a new five Business Day period during which PRE shall comply with the terms of this Section 6.08), (B) during such five Business Day period (the **Matching Period**) (x) the PRE Board shall have provided the Parent Board with a reasonable opportunity to make any adjustments to the terms and conditions of this Agreement and the Transactions so that such Acquisition Proposal ceases to be a Superior Proposal and shall negotiate with Parent in good faith with respect thereto, and (y) the PRE Board shall have determined in good faith at the end of such Matching Period and, after considering the results of such negotiations and the revised proposals made by Parent, if any, and after consultation with its outside legal counsel and financial advisors that the Superior Proposal, giving rise to such Superior Proposal Notice, continues to be a Superior Proposal and that, solely with respect to a Change of Recommendation, the failure to make such a Change of Recommendation would violate its fiduciary duties under applicable Laws, and (C) the PRE Board has not materially breached its obligations under this Section 6.08. Any purported Go-Shop Termination pursuant to this Section 6.08(e) shall be void and of no force or effect, unless in advance of or concurrently with such termination PRE pays the Go-Shop Termination Fee pursuant to Section 8.02(b).

(f) Except in the case of a Go-Shop Termination, and notwithstanding any Change of Recommendation or anything else contained in this Agreement: (i) PRE shall call, give notice of, convene and hold the PRE Shareholders Meeting for the purpose of obtaining the Requisite PRE Vote, and nothing contained herein shall relieve PRE of such obligation, and such obligation shall not be limited or otherwise affected by the commencement, disclosure, announcement or submission to PRE of any Acquisition Proposal; (ii) the Proxy Statement and any and all accompanying materials may include appropriate disclosure with respect to such Change of Recommendation if and to the extent the PRE Board determines after consultation with outside legal counsel that the failure to include such disclosure would violate applicable Laws; and (iii) PRE shall not take any action knowingly to facilitate such Acquisition Proposal after the Solicitation Period including without limitation in connection with any approvals, except as required by applicable Law.

(g) Subject to Section 6.08(a), PRE agrees that it and its Subsidiaries shall (i) immediately following execution hereof (and immediately following the Go-Shop Period End Date) cease and cause to be terminated any existing activities, solicitations, discussions or negotiations, if any, with any Person or its Representatives (other than the parties hereto and their respective Representatives) conducted prior to the date of this Agreement (and, subject to Section 6.08(a), prior to the Go-Shop Period End Date) with respect to any Acquisition Proposal, and shall request that any such Person (together with its Representatives) that has executed a confidentiality agreement in connection with an Acquisition Proposal with it or any of its Subsidiaries within the 24-month period prior to the date hereof (and, subject to Section 6.08(a), prior to the Go-Shop Period End Date) and that is in possession of confidential information heretofore furnished by or on behalf of it or its Subsidiaries, to return or destroy such information as promptly as practicable, (ii) immediately following execution hereof (and immediately following the Go-Shop Period End Date) take all steps necessary (to the extent reasonably possible) to terminate any approval under any confidentiality, standstill or similar provision that may have been heretofore given by PRE to any Person to make an Acquisition Proposal and (iii) take the necessary steps to promptly inform its and its Subsidiaries Representatives of the obligations undertaken in this Section 6.08.

(h) From and after the date of this Agreement, PRE shall promptly orally notify Parent of any request for information or any inquiries, proposals or offers relating to an Acquisition Proposal indicating, in connection with such notice, the name of such Person making such request, inquiry, proposal or offer and the material terms and conditions of any proposals or offers (including the identity of the party making such proposal and its financing sources (if applicable), the most current version of the proposed agreement relating thereto and any agreement relating to such financing) and PRE shall provide Parent written notice of any such inquiry, proposal or offer within 24 hours of such event and copies of any written or electronic correspondence to or from any Person making an Acquisition Proposal. PRE shall keep Parent informed orally, as soon as is reasonably practicable, of the status of any such Acquisition Proposal, including with respect to the status and terms of any such proposal or offer and whether any such proposal or offer has

been withdrawn or rejected and PRE shall provide to Parent written notice of any such withdrawal or rejection and copies of any written proposals or requests for information within 24 hours. PRE also agrees to provide any information to Parent (not previously

Table of Contents

provided to Parent) that it is providing to another Person pursuant to this Section 6.08 at substantially the same time it provides such information to such other Person. All information provided to Parent under this Section 6.08 shall be kept confidential by Parent in accordance with the terms of the Confidentiality Agreement.

(i) Nothing contained in this Agreement shall prevent the PRE Board from complying with its disclosure obligations to the PRE Shareholders contemplated by Rule 14d-9, 14e-2 or Item 1012(a) of Regulation M-A under the Exchange Act.

Section 6.09. *Approvals*.

(a) Other than the Requisite PRE Vote, each of the parties agree to obtain all requisite board of directors, shareholder and member approvals, to the extent not obtained prior to the date of this Agreement, required to be obtained to consummate the Transactions.

(b) Each of Merger Sub and PRE shall fulfill its obligations, and shall cause each of its Subsidiaries to fulfill each of their respective obligations, to inform and consult, under applicable Law, with any employee representative bodies (including any unions, labor organizations or works councils) which represent employees affected by the Transactions.

Section 6.10. *Financing*.

(a) Parent shall use its reasonable best efforts to take all actions and to do or cause to be done all things necessary, proper or advisable to obtain the proceeds of the Facilities on the terms and conditions set forth in the Facilities Agreement. Parent shall not permit any amendment or modification to be made to, or any waiver of any provision under, the Facilities Agreement without the prior written consent of PRE if such amendment, modification or waiver (i) reduces the aggregate amount of the Facilities by an amount or (ii) adversely expands, amends or modifies any of the conditions precedent to the Facilities in a manner, in each case that would reasonably be expected to prevent or materially delay the ability of Parent to consummate the Closing on the Closing Date.

(b) Parent shall use reasonable best efforts to (i) satisfy (or, if deemed advisable by Parent, seek the waiver of) on a timely basis all conditions applicable to Parent that are within its control as set forth in the Facilities Agreement, (ii) upon satisfaction of such conditions, cause the funding of the Facilities at or prior to Closing, and (iii) give PRE prompt notice (A) of any material breach by any party to the Facilities Agreement of which Parent has become aware or (B) if Parent no longer believes in good faith that it will be able to obtain the Facilities on the terms set forth in the Facilities Agreement.

(c) If any portion of the Facilities necessary to consummate the Closing becomes unavailable on the terms and conditions contemplated in the Facilities Agreement, Parent shall promptly notify PRE and shall use its reasonable best efforts to arrange to obtain alternative financing from alternative sources for such portion as promptly as practicable following such event on terms no less favorable to Parent as to conditionality than those contained in the Facilities Agreement and in an amount sufficient for Parent to consummate the Closing. If Parent proceeds with such alternative financing, it shall be subject to the same obligations with respect to such alternative financing as those set forth in the foregoing clauses (a) and (b) with respect to the Facilities. For the avoidance of doubt, all references herein to the Facilities shall be deemed to include such alternative financing, and all references to the Facilities Agreement shall be deemed to include the definitive agreement governing such alternative financing.

Section 6.11. *Restrictions on Distributions*. From and after the Closing until December 31, 2020, neither the Surviving Company nor any of its Subsidiaries shall: (a) declare or pay, or propose to declare or pay, any dividends on or make

other distributions in respect of any Junior Shares; or (b) redeem, purchase or otherwise acquire any Junior Shares (excluding any redemption, purchase or other acquisition of Common Shares made for

Table of Contents

purposes of an employee incentive or benefit plan of the Company or any subsidiary of the Company) (any restricted dividend, distribution, redemption, repurchase or acquisition referred to in clauses (a) and (b) collectively, **Distributions**), except for Distributions declared or paid with respect to any fiscal quarter that are less than, in the aggregate, 67% of the Surviving Company s net income, as determined in accordance with GAAP (**Net Income**) during such fiscal quarter (the **Distributable Amount**); *provided*, that with respect to the first fiscal quarter immediately following the Closing Date, the **Distributable Amount** shall be defined as the sum of (i) 67% of the Surviving Company s Net Income during such fiscal quarter, *plus* (ii) (A) 67% of PRE s Net Income during the 2015 fiscal year, *minus* (B) the sum of (x) the aggregate amount of ordinary course quarterly cash dividends on PRE Common Shares paid during the 2015 fiscal year *plus* (y) the aggregate amount paid by PRE during the 2015 fiscal year to repurchase PRE Common Shares (the **Initial Distributable Amount**); *provided*, *further*, that if the Surviving Company does not make aggregate Distributions of all of the Distributable Amount during any fiscal quarter, such remaining amount shall carryover and be available for Distributions in subsequent fiscal quarters, regardless of the Surviving Company s Net Income during such subsequent fiscal quarters.

Section 6.12. *Exchange Offer*.

(a) As soon as reasonably practicable following the date hereof, until the earlier of (i) the receipt by PRE of a Ruling (as defined below) and (ii) the Closing Date, Parent and PRE shall use their respective commercially reasonable efforts to take or cause to be taken all actions and prepare all documentation reasonably required to obtain a private letter ruling from the U.S. Internal Revenue Service (**IRS**) satisfactory to Parent to the effect that (A) the issuance of the Exchange Securities (as defined below) will not result in the Exchange Securities being treated as fast-pay stock (within the meaning of Treasury Regulations Section 1.7701(l)-3(b)); (B) the Exchange Securities will not be part of a fast-pay arrangement (within the meaning of Treasury Regulations Section 1.7701(l)-3(b)); (C) the issuance or ownership of the Exchange Securities will not be treated as a listed transaction (within the meaning of Treasury Regulations Section 1.6011-4(b)(2)) (a **Listed Transaction**); (D) none of the Surviving Company or its shareholders will be treated as having participated (within the meaning of Treasury Regulations Section 1.6011-4(c)(3)) in a Listed Transaction as a result of the issuance or ownership of the Exchange Securities; or (E) the Surviving Company and its shareholders will otherwise be deemed to have satisfied, or will not be subject to, the U.S. federal income Tax requirements applicable to disclosure of Listed Transactions to the extent related to the issuance or ownership of the Exchange Securities (any of clauses (A) through (E), a **Ruling**). If PRE enters into a pre-filing agreement or a closing agreement from the IRS confirming any of the conclusions set forth in clauses (A)-(E), such agreement shall be deemed to be a Ruling for purposes of this Section 6.12.

(b) If, and only if, PRE receives a Ruling prior to the Closing Date, then the Surviving Company shall use its commercially reasonable efforts to commence an exchange offer promptly to exchange a newly issued series of preferred shares of the Surviving Company (**Exchange Securities**) for each series of Surviving Company Preferred Shares, with the Exchange Securities having identical terms in all material respects to the applicable series of Surviving Company Preferred Shares, except with respect to the terms described on Exhibit A hereto, and subject to the conditions therein (the **Exchange Offer**). The Surviving Company shall use its commercially reasonable efforts to complete the Exchange Offer not later than 180 days following the Closing Date. The Surviving Company shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; *provided*, that in no event shall such period be less than 20 Business Days after the date of notice of the Exchange Offer is mailed to holders of the Surviving Company Preferred Shares.

(c) If PRE does not receive a Ruling prior to the Closing Date, then:

(i) As an inducement to the holders of the PRE Preferred Shares to have encouraged the PRE Board to enter into this Agreement, at or as soon as reasonably practicable following the Effective Time, Parent Guarantor shall deposit, or shall cause to be deposited, with the Paying Agent $42,687,500 (the **Preferred**

Table of Contents

Payment Fund), which amount shall be distributed to the holders of record of PRE Preferred Shares as of the Effective Time, on a *pro rata basis* in accordance with their respective PRE Preferred Percentage Interest; *provided*, that if any PRE Preferred Shares are redeemed, repurchased or otherwise acquired by PRE or any of its Subsidiaries on or after the date hereof, the Preferred Payment Fund shall be proportionately adjusted downward to ensure that each holder of record of PRE Preferred Shares as of the Effective Time is eligible to receive the same payment as such holder would have received based on the number of outstanding PRE Preferred Shares on the date hereof.

(ii) At or as soon as reasonably practicable following the Effective Time, Parent shall use its commercially reasonable efforts to obtain an opinion of Paul, Weiss, counsel to Parent, substantially in the form attached hereto as Exhibit C, to the effect that the Alternate Exchange Offer (as defined below) will not result in the Alternate Exchange Securities (as defined below) being treated as fast-pay stock (within the meaning of Treasury Regulations Section 1.7701(l)-3(b)(2)) (the **Alternate Tax Opinion**). For the avoidance of doubt, Parent and Merger Sub have been advised by Paul, Weiss, that based on applicable U.S. federal income Tax Law as of the date hereof, as well as the facts and circumstances of the PRE Preferred Shares and the Alternate Exchange Offer that exist as of the date hereof, consummation of the Alternate Exchange Offer (as defined below)) on the date hereof, would not result in the Alternate Exchange Securities being treated as fast-pay stock (within the meaning of Treasury Regulations Section 1.7701(l)-3(b)(2)), and if the Surviving Company were its client, it would be able to provide to the Surviving Company the Alternate Tax Opinion, in the form attached hereto as Exhibit C.

(iii) Parent shall cause the Surviving Company to use its commercially reasonable efforts to promptly commence an exchange offer on the same terms as the Exchange Offer, but without giving effect to the 100 basis point increase in the dividend rate with respect to each newly issued series of preferred shares of the Surviving Company (such newly issued series of preferred shares, the **Alternate Exchange Securities** and such exchange offer, the **Alternate Exchange Offer**); *provided*, that if Parent has not received the Alternate Tax Opinion prior to commencement of the Alternate Exchange Offer, then Parent shall disclose such fact in the relevant documents prepared in connection with such Alternate Exchange Offer. The Surviving Company shall use its commercially reasonable efforts to complete the Alternate Exchange Offer not later than 180 days following the Closing Date. The Surviving Company shall keep the Alternate Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Alternate Exchange Offer; *provided*, that in no event shall such period be less than 20 Business Days after the date of notice of the Alternate Exchange Offer is mailed to holders of the Surviving Company Preferred Shares.

(d) At or as soon as reasonably practicable following the Effective Time, Parent shall use its commercially reasonable efforts to obtain an opinion of Paul, Weiss, counsel to Parent, substantially in either (i) the form attached hereto as Exhibit D, if PRE receives a Ruling prior to the Closing Date or (ii) the form attached hereto as Exhibit E, if PRE does not receive a Ruling prior to the Closing Date, providing that from the consummation of the Merger until the consummation of either the Exchange Offer or the Alternate Exchange Offer, as applicable, the Surviving Company Preferred Shares will not be treated as fast-pay stock (within the meaning of Treasury Regulations Section 1.7701(l)-3(b)(2)).

Section 6.13. *EXOR Shares*.

(a) From the date hereof until the earlier of (i) the Effective Time and (ii) the termination of this Agreement in accordance with its terms, Parent Guarantor shall not, and shall cause its Affiliates not to, (A) Transfer any PRE Common Shares or PRE Preferred Shares held by such Persons from time to time (the **EXOR Shares**) to any other Person (other than any direct or indirect wholly-owned Subsidiary of Parent Guarantor, so long as such transferee remains a direct or indirect wholly-owned Subsidiary of Parent Guarantor), or (B) enter into any Hedging Arrangement, except in each case with the prior written consent of the PRE Board.

(b) Parent Guarantor hereby agrees to vote, and to cause its Affiliates to vote, all EXOR Shares that it or its Affiliates are entitled to vote at the PRE Shareholder Meeting, and at any adjournment thereof, or with respect to

any action by written consent, to approve and adopt this Agreement, the Merger and all agreements related to the Merger and any proposals related thereto (including the PRE Bye-law Amendment).

(c) If (i) PRE has entered into a Superior Acquisition Agreement prior to the Go-Shop Period End Date in accordance with the terms of this Agreement and (ii) the consideration provided to holders of PRE Common Shares under such Superior Acquisition Agreement is entirely cash (an **All-Cash Transaction**), then Parent Guarantor hereby agrees, for so long as it holds any EXOR Shares, to vote, and to cause its Affiliates to vote, all EXOR Shares that it and its Affiliates are entitled to vote at the time of any vote or with respect to any action by written consent, to approve and adopt the Superior Acquisition Agreement and all agreements and proposals related thereto and all transactions contemplated thereby at any meeting of the shareholders of PRE, and at any adjournment thereof, at which such Superior Acquisition Agreement and other related agreements (or any amended version thereof), or such other proposals, or the transactions contemplated thereby are submitted for the consideration and vote of the shareholders of PRE (a **Superior Acquisition Meeting**), in each case solely to the extent such vote remains consistent with the then current recommendation of the PRE Board.

(d) If (i) PRE has entered into a Superior Acquisition Agreement for the sale of PRE to a party other than AXIS prior to the Go-Shop Period End Date in accordance with the terms of this Agreement, (ii) some or all of the consideration provided to holders of PRE Common Shares under such Superior Acquisition Agreement consists of securities of a third party public company listed on the NYSE, NASDAQ Global Market, London Stock Exchange, Frankfurt Stock Exchange, Euronext or SIX Swiss Exchange (the **Third Party Securities**) and (iii) the implied per share value of PRE Common Shares under such transaction calculated using the VWAP of the Third Party Securities during the twenty consecutive trading day period immediately following the termination date of this Agreement, plus the amount of any cash component (including any special dividends conditioned on and payable at or shortly following the closing of such transaction), if any, exceeds $140.50 (an **Abstention Transaction**), then Parent Guarantor hereby agrees, for so long as it holds any EXOR Shares, to abstain, and to cause its Affiliates to abstain, from voting any EXOR Shares that it and its Affiliates are entitled to vote at the time of any vote or with respect to any action by written consent, to approve and adopt the Superior Acquisition Agreement and all agreements and proposals related thereto and all transactions contemplated thereby at a Superior Acquisition Meeting, solely to the extent that the PRE Board continues to recommend that shareholders adopt such Superior Acquisition Agreement at the Superior Acquisition Meeting.

(e) If PRE has entered into a Superior Acquisition Agreement that is not an All-Cash Transaction or an Abstention Transaction, then Parent Guarantor and its Affiliates shall have the right to vote the EXOR Shares in any manner (in their sole discretion), irrespective of any recommendation of the PRE Board.

(f) Notwithstanding anything to the contrary in this Section 6.13, Parent Guarantor and its Affiliates shall have the right to Transfer any or all EXOR Shares at any time and from time to time, free of any restrictions contained in Section 6.13(b)-(d), following the earlier of the Effective Time and the termination of this Agreement in accordance with its terms. For the avoidance of doubt, the restrictions contained in Section 6.13(b)-(d) are the sole commitments relating to the voting of EXOR Shares, and are not intended to restrict voting rights on any other matters or any other activities of Parent Guarantor or its Affiliates relating to the EXOR Shares.

(g) Until the later of (i) termination of this Agreement in accordance with its terms or (ii) the day following the conclusion of a Superior Acquisition Meeting at which a Superior Acquisition Agreement and all proposals relating thereto are voted on by holders of PRE Common Shares and PRE Preferred Shares (as applicable), Parent Guarantor shall not, and shall cause its Affiliates not to, without the prior written consent of PRE, directly or indirectly, grant any proxies or enter into any voting trust or other agreement or arrangement with respect to the voting of any EXOR Shares (other than in connection with a Transfer of such EXOR Shares permitted under the terms of this Agreement).

(h) For the purposes of this Section 6.13, **Transfer** means, with respect to the EXOR Shares, (i) when used as a verb, to sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer such

Table of Contents

EXOR Shares or any participation or interest therein, whether directly or indirectly (including pursuant to a derivative transaction), or agree or commit to do any of the foregoing and (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation, or other transfer of such EXOR Shares or any participation or interest therein or any agreement or commitment to do any of the foregoing; provided, that a Transfer shall not include any restriction, negative pledge or encumbrance under the Facilities Agreement.

ARTICLE 7

CONDITIONS

Section 7.01. *Conditions to the Obligations of Each Party*. The obligation of each party to consummate the Transactions shall be subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

(a) *Shareholder Approval*. PRE shall have obtained the Requisite PRE Vote in accordance with its Bye-Laws and applicable Law.

(b) *Intentionally Left Blank*.

(c) *Transaction Approvals*. All Transaction Approvals shall have been filed, have occurred or been obtained and shall be in full force and effect or the waiting periods applicable thereto shall have terminated or expired, in each case, without any Regulatory Material Adverse Effect.

(d) *Intentionally Left Blank*.

(e) *No Injunctions or Restraints*. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any Laws or Orders (whether temporary, preliminary or permanent) that restrain, enjoin or otherwise prohibit consummation of the Merger or the other Transactions.

Section 7.02. *Conditions to Obligations of PRE*. The obligations of PRE to consummate the Transactions shall be subject to the satisfaction of the following conditions unless waived by PRE on or prior to the Closing Date:

(a) *Representations and Warranties*. The representations and warranties of Parent, Merger Sub and Parent Guarantor set forth in Article 4 shall be true and correct in all respects, without regard to any **materiality** or **Material Adverse Effect** qualifications contained therein, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), unless the failure or failures of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) *Performance of Obligations of Parent and Merger Sub*. Each of Parent and Merger Sub shall have performed or complied in all material respects with all obligations and covenants required to be performed by it under this Agreement at or prior to the Closing Date.

(c) *Certification*. PRE shall have received a certificate signed on behalf of Parent by an executive officer of Parent, certifying that the conditions set forth in Section 7.02(a) and Section 7.02(b) have been satisfied.

Section 7.03. *Conditions to Obligations of Parent and Merger Sub*. The obligations of Parent and Merger Sub to consummate the Transactions shall be subject to the satisfaction of the following conditions unless waived by Parent

on or prior to the Closing Date:

(a) *Representations and Warranties*. (i) Each of the representations and warranties of PRE set forth in Section 3.02(a) (*Capitalization*) shall be true and correct in all respects, except for de minimis inaccuracies, as

Table of Contents

though made on and as of the Closing Date (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date); (ii) the representations and warranties of PRE set forth in Section 3.02(b)-3.02(g) (*Capitalization*), Section 3.03 (*Corporate Authorization*), Section 3.05 (*Enforceability*), Section 3.09 (*Vote Required*), Section 3.13(b)-(c) (*Absence of Certain Changes*), Section 3.24 (*Takeover Statutes*), Section 3.30 (*Brokers and Finders*) and Section 3.32 (*Termination of AXIS Agreement*), that are not qualified by materiality or Material Adverse Effect shall be true and correct in all material respects, and all of such representations that are so qualified by materiality or Material Adverse Effect shall be true and correct in all respects, in each case as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date); (iii) the representations and warranties contained in Section 3.13(d) shall be true and correct in all respects and (iv) the other representations and warranties of PRE set forth in this Agreement shall be true and correct in all respects, without regard to any materiality or Material Adverse Effect qualifications contained therein, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), unless the failure or failures of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) *Performance of Obligations of PRE*. PRE shall have performed or complied in all material respects with all obligations and covenants required to be performed by it under this Agreement at or prior to the Closing Date.

(c) *Certification*. Parent shall have received a certificate signed on behalf of PRE by the Chief Executive Officer or the Chief Financial Officer of PRE, certifying that the conditions set forth in Section 7.03(a), Section 7.03(b) and Section 7.03(d) have been satisfied.

(d) *No Material Adverse Effect*. Since the date of this Agreement there shall not have been any effect, change, event or occurrence that has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect.

ARTICLE 8

TERMINATION AND AMENDMENT

Section 8.01. *Termination*. This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Effective Time:

(a) by mutual written consent of Parent and PRE by action of their respective boards of directors;

(b) by either Parent or PRE if there shall be any Law that makes consummation of the Transactions illegal or otherwise prohibited, or if any Order enjoins, restrains or otherwise prohibits Parent or PRE from consummating the Transactions and such Law or Order shall have become final and nonappealable; *provided*, that the right to terminate this Agreement pursuant to this Section 8.01(b) shall not be available to any party whose failure to comply in any material respect with any covenant or obligation under this Agreement has primarily caused the issuance of any such Order;

(c) by either Parent or PRE if the Transactions shall not have been consummated on or prior to one year from the date hereof (the **End Date**); *provided*, that, the right to terminate this Agreement under this Section 8.01(c) shall not be available to any party whose failure to comply in any material respect with any covenant or obligation under this Agreement has primarily contributed to the failure of the Transactions to occur on or before the End Date;

(d) by Parent prior to obtaining the Requisite PRE Vote: (i) (A) if the PRE Board shall effect a Change of Recommendation; (B) if the PRE Board fails to reaffirm publicly the PRE Board Recommendation within two Business Days following the Solicitation Period; (C) if an Acquisition Proposal with respect to PRE was publicly

Table of Contents

announced or disclosed after the Solicitation Period (or any Person shall have publicly announced an intention (whether or not conditional) to make such an Acquisition Proposal after the Solicitation Period) and the PRE Board fails to reaffirm publicly the PRE Board Recommendation within five Business Days after receipt of a written request from Parent to do so (other than in connection with a tender offer or exchange offer contemplated by Section 6.08(c)(iii)); or (D) the PRE Board publicly announces an intention to take any of the foregoing actions; or (ii) PRE has materially breached its obligations under Section 5.01(d) or Section 6.08;

(e) *Intentionally Left Blank*.

(f) by Parent or PRE if at the PRE Shareholders Meeting (including any adjournment or postponement thereof) the Requisite PRE Vote shall not have been obtained;

(g) *Intentionally Left Blank*.

(h) by Parent or PRE if there shall have been a breach by the other of any of its representations, warranties, covenants or agreements contained in this Agreement, which breach would result in the failure of one or more of the conditions set forth in Section 7.02(a) or Section 7.02(b) (in the case of a breach by Parent) or Section 7.03(a) or Section 7.03(b) (in the case of a breach by PRE) to be satisfied on or prior to the End Date, and such breach shall not be capable of being cured or shall not have been cured within 30 Business Days after detailed written notice thereof shall have been received by the party alleged to be in breach; or

(i) by PRE prior to the sixth Business Day immediately following the Go-Shop Period End Date, in accordance with and subject to the terms and conditions of Section 6.08(e); *provided*, that PRE shall concurrently with such termination enter into the Superior Acquisition Agreement.

Section 8.02. *Effect of Termination*.

(a) In the event of the termination of this Agreement pursuant to Section 8.01, this Agreement, except for the provisions of the second sentence of Section 5.02, Section 6.13, this Section 8.02 and Sections 9.02 through 9.12, shall become void and have no effect, without any liability on the part of any party or its directors, officers or shareholders with respect thereto. Notwithstanding the foregoing, nothing in this Section 8.02 shall relieve any party to this Agreement of liability for fraud or any willful and intentional breach of any provision of this Agreement and, if it shall be judicially determined that termination of this Agreement was caused by a willful and intentional breach of this Agreement, then, in addition to other remedies at law or equity for a willful and intentional breach of this Agreement, the party so found to have willfully and intentionally breached this Agreement shall indemnify and hold harmless the other parties for their respective reasonable out-of-pocket costs, fees and expenses of their counsel, accountants, financial advisors and other experts and advisors as well as fees and expenses incident to negotiation, preparation and execution of this Agreement, including related severance costs and expenses and related documentation and shareholders meetings and consents (collectively, **Costs**); *provided*, *however*, that upon payment by (x) PRE of the Termination Fee in full or (y) Parent of the Partial AXIS Reimbursement in full, PRE or Parent (as applicable) shall no longer be required to indemnify and hold harmless Parent and Merger Sub, or PRE (as applicable), for their Costs pursuant to this Section 8.02(a). No termination of this Agreement shall affect the obligations of the parties contained in the Confidentiality Agreement, all of which obligations shall survive termination of this Agreement in accordance with their respective terms.

(b) If this Agreement is terminated by PRE pursuant to Section 8.01(i), then PRE will, concurrently with such termination, pay to Parent or its designee in cash by wire transfer in immediately available funds to an account designated by Parent a termination fee in an amount equal to $135,000,000 (the **Go-Shop Termination Fee**).

(c) If this Agreement is terminated by Parent for any reason pursuant to Section 8.01(d), then PRE will, within three Business Days following any such termination, pay to Parent or its designee in cash by wire transfer

Table of Contents

in immediately available funds to an account designated by Parent a termination fee in an amount equal to $250,000,000 (the **Termination Fee**).

(d) *Intentionally Left Blank*.

(e) If either party terminates this Agreement pursuant to Section 8.01(f) because the Requisite PRE Vote has not been obtained, then PRE shall, as promptly as reasonably practicable (and in any event within three Business Days following such termination), pay to Parent, by wire transfer in immediately available funds, an amount equal to $55,000,000 (the **No Approval Fee**); *provided*, that if: (i) an Acquisition Proposal in respect of PRE was publicly announced or disclosed (or any Person shall have publicly announced an intention to make an Acquisition Proposal in respect of PRE) prior to the PRE Shareholders Meeting at which the Requisite PRE Vote (including any adjournment or postponement thereof) was not obtained; and (ii) PRE, within 12 months after the date of such termination, enters into a letter of intent, agreement-in-principle, acquisition agreement or other similar agreement with respect to, or publicly announces, a Business Combination or consummates a Business Combination, then PRE will, prior to the earlier of the consummation of a Business Combination or execution of a definitive agreement with respect thereto, also pay to Parent or its designee, in cash by wire transfer in immediately available funds to an account designated by Parent, the Termination Fee less the No Approval Fee.

(f) *Intentionally Left Blank*.

(g) *Intentionally Left Blank*.

(h) If this Agreement is terminated (A) by PRE or Parent pursuant to Section 8.01(c), and at such time all of the conditions set forth in Section 7.01 (other than Section 7.01(c) or Section 7.01(e) (only to the extent that a Law or Order making the condition in Section 7.01(e) incapable of being satisfied is enacted, issued, promulgated, enforced or entered by a Governmental Entity in connection with the Transaction Approvals)) and Section 7.03 have been satisfied (other than those conditions that have been waived by Parent, if and to the extent such waiver is permitted by applicable Law, and other than those conditions that by their nature can only be satisfied at or immediately prior to the Closing, but are capable of being satisfied at such time), or (B) by PRE or Parent pursuant to Section 8.01(b) (only to the extent that the Law or Order giving rise to the termination right pursuant to Section 8.01(b) is enacted, issued, promulgated, enforced or entered by a Governmental Entity in connection with the Transaction Approvals; provided, that any law, statute, ordinance, rule, regulation, agency requirement of general application or published interpretation of any Governmental Entity will only be considered final and non-appealable prior **to the End Date** for purposes of this clause (B) if the Transaction Approval has been expressly denied in a writing delivered to the parties from the relevant Governmental Entity with competent jurisdiction and such written decision is not subject to change, further review or appeal or any administrative or legislative overturn, regardless of any efforts or actions of the parties or their Affiliates), then Parent shall, as promptly as practicable (and in any event within three Business Days following the termination), pay to PRE or its designee in cash by wire transfer in immediately available funds to an account designated by PRE an amount equal to $225,000,000 as partial reimbursement for the payment by PRE of the AXIS Termination Fee (the **Partial AXIS Reimbursement**).

(i) If this Agreement is terminated by Parent for any reason pursuant to Section 8.01(h) or by either Parent or PRE pursuant to Section 8.01(c) (i) following the public announcement or disclosure of an Acquisition Proposal in respect of PRE or the intention by any Person to make such an Acquisition Proposal and (ii) within 12 months after the date of such termination pursuant to Section 8.01(h) or Section 8.01(c), PRE enters into a letter of intent, agreement-in-principle, acquisition agreement or other similar agreement with respect to, or publicly announces, a Business Combination or consummates a Business Combination, then PRE will, upon the earlier to occur of the entering into such letter of intent, agreement-in principle, acquisition agreement or other similar agreement and the

consummation of such Business Combination, pay to Parent or its designee, in cash by wire transfer in immediately available funds to an account designated by Parent, the Termination Fee.

Table of Contents

(j) For the purposes of this Section 8.02, **Business Combination** means: (i) a merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, dissolution, liquidation or similar transaction involving PRE as a result of which the shareholders of PRE prior to such transaction in the aggregate cease to own more than 50% of the voting securities of the entity surviving or resulting from such transaction (or the ultimate entity thereof); (ii) any purchase of an equity interest (including by means of a tender or exchange offer) representing an amount equal to or greater than a 50% voting or economic interest in PRE; or (iii) any purchase of assets, securities or ownership interests representing an amount equal to or greater than 50% of the consolidated assets (including stock of the respective Subsidiaries of PRE), consolidated net revenues or earnings before interest, Taxes, depreciation and amortization of PRE and its Subsidiaries, taken as a whole.

(k) The parties acknowledge and agree that in no event shall PRE be required to pay the Termination Fee on more than one occasion. In the event the Termination Fee is paid to Parent in accordance with this Section 8.02, such payment shall be the sole and exclusive remedy of Parent and its Subsidiaries, shareholders and Representatives against PRE or any of its Subsidiaries, shareholders and Representatives with respect to the termination, event or breach giving rise to that payment, except in the case of fraud or any willful or intentional breach of any provision of this Agreement.

(l) Upon any termination of this Agreement in circumstances where the Termination Fee, the Go-Shop Termination Fee, or the No Approval Fee is payable, PRE shall, in addition to payment of the Termination Fee, the Go-Shop Termination Fee or the No Approval Fee (as applicable), reimburse Parent and its Affiliates (by wire transfer of immediately available funds), no later than three Business Days after such termination, for 100% of their out-of-pocket fees, costs, obligations owed to third parties and expenses (including reasonable fees and expenses of their counsel) actually incurred by any of them in contemplation of, in connection with or in any way relating to the consideration, negotiation or implementation of this Agreement or the Transactions and other actions contemplated hereby in an amount not to exceed $35,000,000.

(m) Parent and PRE each acknowledge that the agreements contained in this Section 8.02 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, neither party would enter into this Agreement. Accordingly, if PRE or Parent fails promptly to pay any amount due to the other party pursuant to this Section 8.02 (the **Defaulting Party**), it shall also pay any costs and expenses incurred by the other party in connection with a legal action to enforce this Agreement that results in a judgment against the Defaulting Party for such amount, together with interest on the amount of any unpaid fee, cost or expense at the rate per annum equal to the prime rate published in *The Wall Street Journal* on the date such payment was required to be made, from the date such fee, cost or expense was required to be paid to (but excluding) the payment date.

Section 8.03. *Amendment*. This Agreement may be amended by the parties, by action taken or authorized by their respective boards of directors, at any time before or after receipt of the Requisite PRE Vote, but after any such approval, no amendment shall be made which by Law requires further approval or authorization by the shareholders of PRE without such further approval or authorization. This Agreement may not be amended except by an instrument or instruments in writing signed and delivered by an authorized representative of each of the parties.

Section 8.04. *Extension; Waiver*. At any time prior to the Effective Time, Parent (with respect to PRE) and PRE (with respect to Parent) by action taken or authorized by their respective boards of directors, may, to the extent legally allowed (a) extend the time for the performance of any of the obligations or other acts of such other party, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any certificate delivered pursuant to this Agreement and (c) waive compliance with any of the agreements or conditions contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement by a party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. No delay by any party

in exercising any right hereunder shall operate as a waiver of such right, nor shall any waiver by any party of any such right nor any single or partial exercise of any such right preclude any further exercise of such right or the exercise of any other such right.

Table of Contents

ARTICLE 9

MISCELLANEOUS

Section 9.01. *Survival of Representations and Warranties*. None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement, including any rights arising out of any breach of such representations, warranties, covenants and agreements, will survive the Effective Time, except for those covenants and agreements contained in this Agreement and such other instruments that by their terms apply or are to be performed in whole or in part after the Effective Time and this Article 9.

Section 9.02. *Notices*. All notices, requests, claims, demands and other communications under this Agreement shall be in writing (including electronic mail transmission, so long as a receipt of such email is requested and received) and shall be given and shall be deemed given upon receipt if delivered personally, telecopied (delivery of which is confirmed) or dispatched by a nationally recognized overnight courier service to the parties (delivery of which is confirmed) or by registered or certified mail (postage paid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Merger Sub, addressed to it at:

c/o Exor N.V.
Postbus 11063
1001 GB Amsterdam
Attention: Marco Benaglia
Facsimile: 00352 22 7841
Email: m.benaglia@lu.exor.com

with a copy to (which shall not constitute notice):

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Attention: Toby S. Myerson
Kelley D. Parker
Facsimile: (212) 492-0033
Email: tmyerson@paulweiss.com
kparker@paulweiss.com

if to PRE:

PartnerRe Ltd.
Wellesley House South,
90 Pitts Bay Road
Pembroke HM 08, Bermuda
Attention: Mark Wetherhill / Chief Legal Counsel
Facsimile: +1 441 292 3060
Email: marc.wetherhill@partnerre.com

with a copy to (which shall not constitute notice):

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Phillip R. Mills
Facsimile: (212) 701-5800
Email: phillip.mills@davispolk.com

Table of Contents

Section 9.03. *Interpretation*. When a reference is made in this Agreement to an Article, Section, Annex or Exhibit, such reference shall be to an Article, Section, Annex or Exhibit of this Agreement unless otherwise indicated to the contrary. The descriptive Article and Section headings and the table of contents contained in this Agreement are for reference purposes only and are not intended to be part of and shall not affect in any way the meaning or interpretation of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant to this Agreement unless otherwise defined in such certificate or other document. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Where a word or phrase is defined in this Agreement, each of its other grammatical forms shall have a corresponding meaning. Any statute defined or referred to in this Agreement or in any agreement or instrument that is referred to in this Agreement means such statute as from time to time amended, modified or supplemented, including by succession of comparable successor statutes. The parties have participated jointly in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if it is drafted jointly by all the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any of the provisions of this Agreement. Whenever the words include, includes, or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. The words hereof, herein, herewith and hereby and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. The word or shall be construed non-exclusively. The phrase ordinary course of business shall be construed to be followed by the phrase consistent with past practice regardless of whether such phrase is expressed. The phrases the date of this Agreement, the date hereof and words of similar import, shall be deemed to refer to the date set forth on the cover page of this Agreement. Whenever the last day for the exercise of any right or the discharge of any duty under this Agreement falls on a day other than a Business Day, the party having such right or duty shall have until the next Business Day to exercise such right or discharge such duty. Unless otherwise indicated, the word day shall be interpreted as a calendar day. No summary of this Agreement prepared by or on behalf of any party shall affect the meaning or interpretation of this Agreement. References to dollars or $ are to United States dollars. Each section or subsection of the PRE Disclosure Letter or Parent Disclosure Letter, as applicable, qualifies the correspondingly numbered representation, warranty or covenant of the Agreement; *provided*, that information disclosed in one section or subsection of the PRE Disclosure Letter or Parent Disclosure Letter, as applicable, shall be deemed to be included in each other section or subsection of such disclosure letter in which the relevance of such information would be readily apparent on the face thereof. Unless the context shall require otherwise, any Contracts, documents, instruments or Laws defined or referred to in this Agreement shall be deemed to mean or refer to such Contracts, documents, instruments or Laws as from time to time may be amended, modified or supplemented, including (i) in the case of Contracts, documents or instruments, by waiver or consent and (ii) in the case of Laws, by succession of comparable successor statutes; *provided*, that with respect to Contracts, such rule of construction shall only be effective with respect to amendments, modification or supplements effected prior to the date hereof. All references in this Agreement to any particular Law shall be deemed to refer also to any rules and regulations promulgated under that Law.

Section 9.04. *Counterparts*. This Agreement may be executed in counterparts, which together shall constitute one and the same Agreement. The parties may execute more than one copy of this Agreement, each of which shall constitute an original. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in **portable document format** form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

Section 9.05. *Entire Agreement*. This Agreement (including the Exhibits and Annexes hereto), the Parent Disclosure Letter, the PRE Disclosure Letter, the Statutory Merger Agreement and the Confidentiality Agreement constitute the entire agreement among the parties and supersede all prior agreements and understandings or representations by or

among the parties whether written and oral with respect to the subject matter hereof and thereof. The Confidentiality Agreement shall continue in full force and effect until the Closing

Table of Contents

and shall survive any termination of this Agreement. No representation, warranty, inducement, promise, understanding or condition not set forth in this Agreement has been made or relied upon by any of the parties to this Agreement. Each party hereby disclaims any other representation, warranty or inducement, express or implied, as to the accuracy or completeness of any other information made by, or made available by, itself or any of its Representatives, with respect to, or in connection with, the negotiation, execution or delivery of this Agreement, the Statutory Merger Agreement or the Transactions.

Section 9.06. *Severability*. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

Section 9.07. *Third-Party Beneficiaries*. Except (a) for the Indemnified Parties intended to benefit from the provisions of Section 6.03 and (b) the record holders of PRE Preferred Shares solely with respect to the provisions of Sections 6.11 and 6.12, nothing in this Agreement, express or implied, is intended or shall be construed to create any third-party beneficiaries or confer upon any Person other than the parties any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.08. *Governing Law*. This Agreement shall be governed by and construed with regard to, in all respects, including as to validity, interpretation and effect, the Laws of the State of New York with respect to contracts performed within that state; provided, that any provisions of this Agreement which relate to the exercise of a director or officer s fiduciary duties, statutory duties, obligations and/or statutory provisions, or which arise under, the laws of Bermuda (including but not limited to mergers under the Companies Act) shall be governed by and in accordance with the laws of Bermuda.

Section 9.09. *Consent to Jurisdiction; Venue*. Each party irrevocably and unconditionally consents, agrees and submits to the exclusive jurisdiction of the Supreme Court of Bermuda (and appropriate appellate courts therefrom) (the **Chosen Courts**), for the purposes of any litigation, action, suit or other proceeding with respect to the subject matter hereof. Each party agrees to commence any litigation, action, suit or proceeding relating hereto only in the Supreme Court of Bermuda, or if such litigation, action, suit or other proceeding may not be brought in such court for reasons of subject matter jurisdiction, in the other appellate courts therefrom or other courts of Bermuda. Each party irrevocably and unconditionally waives any objection to the laying of venue of any litigation, action, suit or proceeding with respect to the subject matter hereof in the Chosen Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Each party further irrevocably and unconditionally consents to and grants any such court jurisdiction over the Person of such parties and, to the extent legally effective, over the subject matter of any such dispute and agrees that mailing of process or other documents in connection with any such action or proceeding in the manner provided in Section 9.02 hereof or in such other manner as may be permitted by applicable Law, shall be valid and sufficient service thereof. The parties agree that a final judgment in any such litigation, action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

Section 9.10. *Specific Performance*. The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached or violated, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy under applicable Law. Accordingly, each party agrees that, in addition to all other remedies to which it may be entitled, each of the parties is entitled to a decree of specific performance and shall further be entitled to an injunction restraining

any violation or threatened violation of any of the provisions of this Agreement without the necessity of posting a bond or other form of security. In the event that any Legal Action

Table of Contents

should be brought in equity to enforce any of the provisions of this Agreement, no party will allege, and each party hereby waives the defense, that there is an adequate remedy under applicable Law.

Section 9.11. *Assignment*. Neither this Agreement nor any of the rights, interests or obligations arising under this Agreement shall be directly or indirectly assigned, delegated sublicensed or transferred by any of the parties (whether by operation of law or otherwise), in whole or in part, to any other Person (including any bankruptcy trustee) without the prior written consent of the other parties; *provided*, that Parent and Merger Sub may assign any of their respective rights and obligations to any financing source for security purposes, and the enforcement of all rights and remedies that Parent and Merger Sub, as applicable, has against PRE, but no such assignment will relieve Parent and Merger Sub, as the case may be, of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 9.12. *Expenses*. Subject to the provisions of Section 8.02, all costs and expenses (including those payable to Representatives) incurred in connection with this Agreement and the Transactions and shall be paid by the party incurring such expenses, except that those expenses incurred in connection with filing, printing, and mailing the Proxy Statement (including filing fees related thereto) and those expenses incurred in connection with obtaining the Transaction Approvals will be shared equally by Parent and PRE.

Section 9.13. *Guarantee*. Parent Guarantor absolutely, irrevocably and unconditionally guarantees the full and timely payment and performance of the obligations of Parent when due and payable or required to be performed, as applicable, in accordance with this Agreement. If Parent fails to discharge any of its obligations when due under this Agreement, upon written notice from PRE to Parent Guarantor of such failure, Parent Guarantor will perform and discharge such obligations. To enforce the obligations of Parent Guarantor in this Section 9.13, it shall not be necessary for PRE first to (a) institute suit or exhaust its remedies against Parent or any other Person, (b) join Parent or any other Person in any action seeking to enforce any obligation hereunder or (c) resort to any other means of obtaining payment or enforcement of the obligations of Parent. The guarantee set forth in this Section 9.13 is a continuing and absolute guarantee, and it will not be discharged, and will remain in full force and effect, until the full payment and performance required to be paid and performed by Parent pursuant to this Agreement is satisfied. The guarantee set forth in this Section 9.13 shall immediately and automatically terminate upon the full payment and performance of all amounts and obligations required to be paid and performed by Parent pursuant to the terms of this Agreement. In addition to the obligations of Parent Guarantor contained in this Section 9.13, Parent Guarantor intends to be directly bound by Section 6.12(c)(i).

Section 9.14. *Defined Terms*. For purposes of this Agreement, each of the following terms shall have the meaning set forth below.

Abstention Transaction shall have the meaning set forth in Section 6.13(d).

Acceptable Confidentiality Agreement means any confidentiality agreement entered into by PRE from and after the date of this Agreement that contains customary confidentiality and other terms that are not materially less favorable in the aggregate to PRE than those contained in the Confidentiality Agreement.

Acquisition Agreement shall have the meaning set forth in Section 6.08(a).

Acquisition Proposal means any proposal or offer made by any Person (other than Parent and its Subsidiaries) with respect to: (i) a merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, dissolution, liquidation or similar transaction involving PRE; (ii) any purchase of an equity interest (including by means of a tender or exchange offer) representing an amount equal to or greater than a 15% voting or

economic interest in PRE; or (iii) any purchase of assets, securities or ownership interests representing an amount equal to or greater than 15% of the consolidated assets (including stock of the respective Subsidiaries of PRE), consolidated net revenues or earnings before interest, Taxes, depreciation and amortization of PRE and its Subsidiaries, taken as a whole.

Table of Contents

Affiliate means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with, such first Person. For the purposes of this definition, control (including, with correlative meanings, the terms controlling, controlled by and under common control with), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

Agreement shall have the meaning set forth in the Introduction.

All-Cash Transaction shall have the meaning set forth in Section 6.13(c).

Alternate Exchange Offer shall have the meaning set forth in Section 6.12(c)(iii).

Alternate Exchange Securities shall have the meaning set forth in Section 6.12(c)(iii).

Alternate Tax Opinion shall have the meaning set forth in Section 6.12(c)(ii).

Applicable SAP means, with respect to any Insurance Subsidiary of PRE the applicable statutory accounting principles (or local equivalents in the applicable jurisdiction) prescribed or permitted by the Insurance Regulator of the jurisdiction of domicile of such PRE Insurance Subsidiary under applicable Insurance Law.

Appraised Fair Value means the fair value of a PRE Dissenting Share as appraised by the Supreme Court of Bermuda, under Section 106(6) of the Companies Act.

Associate shall mean each officer or other employee, or individual who is an independent contractor, consultant or director of PRE.

Assumed Reinsurance Contract shall mean means a reinsurance or retrocession treaty or agreement, slip, binder, cover note or other similar arrangement or Contract under which any PRE Insurance Subsidiary is the reinsurer or retrocessionaire.

AXIS shall have the meaning set forth in the Recitals.

AXIS Agreement shall have the meaning set forth in the Recitals.

AXIS Termination Fee shall have the meaning set forth in the Recitals.

Benefit Plans shall have the meaning set forth in Section 3.18(a).

Business Combination shall have the meaning set forth in Section 8.02(j).

Business Day shall mean any day other than a Saturday, Sunday or other day on which banking institutions in New York, Milan or Bermuda are obligated by Law or executive order to be closed.

Bye-Laws shall have the meaning set forth in Section 3.01(c).

Ceded Reinsurance Contract means a reinsurance or retrocession treaty or agreement, slip, binder, cover note or other similar arrangement or Contract under which any Insurance Subsidiary of PRE is a cedent or retrocedent.

Certificate of Merger shall have the meaning set forth in Section 1.01.

Change of Recommendation shall have meaning set forth in Section 6.08(c).

Table of Contents

Chosen Courts shall have the meaning set forth in Section 9.09.

Closing shall have the meaning set forth in Section 1.02.

Closing Date shall have the meaning set forth in Section 1.02.

Code shall have the meaning set forth in the Recitals.

Companies Act shall have the meaning set forth in the Recitals.

Conditional Dividend Record Date shall have the meaning set forth in Section 6.01(b).

Conditional Extraordinary Dividend shall have the meaning set forth in Section 6.01(b).

Confidentiality Agreement shall have the meaning set forth in Section 5.02.

Continuation Period shall have the meaning set forth in Section 6.05(a).

Continuing Employee shall mean any employee of PRE or any of its Subsidiaries who continues employment with the Surviving Company or any of its Affiliates.

Contracts means any contracts, agreements, licenses, notes, bonds, mortgages, indentures, commitments, leases or other instruments or obligations.

Costs shall have the meaning set forth in Section 8.02(a).

Data Protection Laws means any data protection Laws and regulations in the United States of America, the European Union, or elsewhere in the world.

Defaulting Party shall have the meaning set forth in Section 8.02(m).

Distributable Amount shall have the meaning set forth in Section 6.11.

Distributions shall have the meaning set forth in Section 6.11.

Effective Time shall have the meaning set forth in Section 1.01.

End Date shall have the meaning set forth in Section 8.01(c).

Environmental Law means any applicable Law that has as its principal purpose the protection of the environment.

Equity Award shall have the meaning set forth in Section 3.02(a).

ERISA shall have the meaning set forth in Section 3.18(a).

ESPP shall mean PRE s 2009 Employee Share Purchase Plan.

Exchange Act shall have the meaning set forth in Section 3.08(b).

Exchange Offer shall have the meaning set forth in Section 6.12(b).

Exchange Securities shall have the meaning set forth in Section 6.12(b).

Table of Contents

Excluded Shares shall have the meaning set forth in Section 2.01(a).

EXOR Shares shall have the meaning set forth in Section 6.13(a).

Facilities shall mean, collectively, each **Facility** as defined in the Facilities Agreement.

Facilities Agreement shall mean that certain Agreement, dated as of May 11, 2015, by and among the Parent Guarantor, Parent, Citigroup Global Markets Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, the financial institutions listed on Schedule 1 thereto, and Citibank International Limited as facility agent (as amended, supplemented or otherwise modified from time to time to the extent not prohibited by Section 6.10 of this Agreement).

GAAP shall have the meaning set forth in Section 3.11(a)(ii).

Go-Shop Period End Date shall have the meaning set forth in Section 6.08(a).

Go-Shop Termination shall have the meaning set forth in Section 6.08(e).

Go-Shop Termination Fee shall have the meaning set forth in Section 8.02(b).

Governmental Entity shall have the meaning set forth in Section 3.08.

Grant Date shall have the meaning set forth in Section 3.02(c).

Hazardous Substance means any pollutant, contaminant, or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substance, waste or material, or any substance, waste or material having any constituent elements displaying any of the foregoing characteristics, including any substance, waste or material regulated under any Environmental Law.

Hedging Arrangement means any agreement or arrangement designed to fix, alter, mitigate or swap, or that has the effect of fixing, altering, mitigating or swapping, the risks of any Person arising from its ownership of PRE Common Shares, including any hedge, call, put, swap, collar, floor, cap, option, swaption, derivative transaction, forward sale or purchase or other contract or similar arrangement (including any obligations to purchase or sell any security at a future date for a specific price).

HSR Act shall have the meaning set forth in Section 3.08(e).

Indemnified Parties shall have the meaning set forth in Section 6.03(a).

Information Security Breach means any unauthorized acquisition of or access to, or unauthorized disclosure of, any Personal Data of employees or customers of a party or any of its Subsidiaries.

Initial Distributable Amount shall have the meaning set forth in Section 6.11.

Insurance Approvals means those Transaction Approvals identified as Insurance Approvals on Section 3.08(f) of the PRE Disclosure Letter.

Insurance Laws means all Laws (including all applicable domestic, foreign (including Bermuda), national, provincial, federal, state and local statutes and regulations) regulating the business and products of insurance or concerning the regulation of insurance companies (including acquisition of control), all applicable requirements relating to the sale, issuance, marketing, advertising, and administration of insurance products and all applicable Orders of Insurance Regulators.

Insurance Regulator means all Governmental Entities regulating the business of insurance and reinsurance under applicable Insurance Law.

Table of Contents

Insurance Subsidiaries shall have the meaning set forth in Section 3.16(a).

Intellectual Property means: (i) patents, patent applications and statutory invention registrations; (ii) trademarks, service marks, trade dress, logos, trade names, corporate names, domain names and other source identifiers, and registrations and applications for registration thereof; (iii) copyrights (including copyrights in computer software and Internet websites) and registrations and applications for registration thereof; (iv) trade secrets under applicable Laws, including confidential and proprietary information and know-how; (v) moral rights, rights of publicity and rights of privacy; and (vi) any other intellectual property rights, or similar proprietary or industrial rights, under the Laws of any jurisdiction.

Interested Party Transaction shall mean have the meaning set forth in Section 3.25.

Investment Assets shall have the meaning set forth in Section 3.15(a).

Investment Guidelines shall have the meaning set forth in Section 3.15(a).

IRS shall have the meaning set forth in Section 6.12(a).

IT Systems shall mean, with respect to a party and its Subsidiaries, all information technology systems, owned or otherwise used by such party or its Subsidiaries in their respective businesses, including servers, computer hardware, networks, software, databases, telecommunications systems, interfaces, and their related systems.

Junior Shares means the PRE Common Shares and any other class or series of shares of PRE now or hereafter issued and outstanding over which all of the PRE Preferred Shares have preference or priority in either (i) the payment of dividends or (ii) the distribution of assets on any liquidation, dissolution or winding up of PRE.

Knowledge shall mean (i) with respect to Parent, the actual knowledge, without due inquiry, of the officers of Parent Guarantor set forth in Section 9.14(a) of the Parent Disclosure Letter and (ii) with respect to PRE, the actual knowledge, without due inquiry, of the officers of PRE set forth in Section 9.14(a) of the PRE Disclosure Letter, as the case may be.

Law shall mean any law, statute, ordinance, arbitration award, or any rule, regulation, judgment, order, writ, injunction, decree, agency requirement or published interpretation of any Governmental Entity.

Leased Real Property shall have the meaning set forth in Section 3.22(b).

Legal Actions shall have the meaning set forth in Section 3.14.

Liabilities shall have the meaning set forth in Section 3.12(a).

Liens means any liens, pledges, security interests, claims, options, rights of first offer or refusal, charges or other encumbrances.

Listed Transaction shall have the meaning set forth in Section 6.12(a).

Matching Period shall have the meaning set forth in Section 6.08(e).

Material Adverse Effect means, (1) for purposes of the representations and warranties in Article 3, the covenants of PRE hereunder and the conditions in Section 7.03, any event, circumstance, change or effect that is materially adverse (a) to the business, operations, assets or financial condition of PRE (or for purposes of

Table of Contents

Section 5.03, the Surviving Company) or its Subsidiaries, taken as a whole, or (b) on the ability of such party to perform its obligations hereunder without material delay or impairment; *provided*, that in this case of paragraph (a) in no event shall any of the following, alone or in combination, be deemed to constitute, nor shall any events, circumstances, changes or effects resulting from any of the following be taken into account in determining whether there has been, or will be, a Material Adverse Effect:

(i) (A) a change in general political, legislative, economic or financial market conditions or securities, credit, financial or other capital markets or currency conditions; (B) the commencement, continuation or escalation of actions or war, armed hostilities, sabotage, acts of terrorism, or other man-made disaster; (C) changes, circumstances or events generally affecting the property and casualty insurance and reinsurance industry in the geographic areas and product markets in which such party or its Subsidiaries conduct business; (D) any change in any applicable Laws; (E) any change in GAAP or Applicable SAP following the date of this Agreement; or (F) liabilities under policies of insurance written or Assumed Reinsurance Contracts from any terrorist act, earthquake, hurricane, tsunami, tornado, windstorm, epidemic or other natural or man-made disaster; except in the case of the foregoing clauses (A) through (E) to the extent those events, circumstances, changes or effects have a disproportionate effect on such party and its Subsidiaries compared to other companies of similar size operating in the industries and geographic regions in which such party and its Subsidiaries operate; and

(ii) (A) the public announcement of the execution of this Agreement or the consummation of the Transactions, including the impact thereof on relationships, contractual or otherwise, with customers, cedents, reinsureds, retrocessionaires, reinsurance brokers or intermediaries, suppliers, vendors, lenders, venture partners or employees; (B) any decline, in and of itself, in the market price, or change in trading volume, of the PRE Common Shares; the failure, in and of itself, to meet any revenue, earnings or other projections, forecasts or predictions for any period ending following the date of this Agreement; (D) any action taken at the written request of the other party; or (E) any change or announcement of a potential change in such Person s or any of its Subsidiaries credit or claims paying rating or the rating of any of its or its Subsidiaries businesses or securities; *provided*, that the exceptions described in the foregoing clauses (B) and (C) shall not prevent or otherwise affect a determination that any underlying changes, state of facts, circumstances, events or effects have resulted in, or contributed to, a Material Adverse Effect; or

(2) for purposes of the representations and warranties in Article 4, the covenants of Parent made hereunder and the conditions in Section 7.02, any event, circumstance, change or effect that prevents or materially delays, or would reasonably be expected to prevent or materially delay, consummation of the Merger or performance by Parent or Merger Sub of any of their material obligations under this Agreement.

Material Contract shall have the meaning set forth in Section 3.17(a).

Memorandum of Association shall have the meaning set forth in Section 3.01(c).

Merger shall have the meaning set forth in the Recitals.

Merger Application shall have the meaning set forth in Section 1.01.

Merger Sub shall have the meaning set forth in the Preamble.

Merger Sub Director shall have the meaning set forth in the Recitals.

Net Income shall have the meaning set forth in Section 6.11.

Newly Issued Surviving Company Preferred Shares shall have the meaning set forth in Exhibit A.

No Approval Fee shall have the meaning set forth in Section 8.02(e).

Non-U.S. Benefit Plans shall have the meaning set forth in Section 3.18(a).

Table of Contents

NYSE shall have the meaning set forth in Section 3.08(c).

Order means any order, judgment, injunction, award, decree or writ handed down, adopted or imposed by any Governmental Entity.

Organizational Documents means, with respect to any entity, the memorandum of association or the certificate or articles of incorporation and bye-laws or by-laws of such entity, or any similar organizational documents of such entity.

Owned Intellectual Property shall have the meaning set forth in Section 3.21(a)(iii).

Owned Real Property shall have the meaning set forth in Section 3.22(a).

Parent shall have the meaning set forth in the Introduction.

Parent Assets shall have the meaning set forth in Section 4.03(b).

Parent Board shall have the meaning set forth in the Recitals.

Parent Counsel shall have the meaning set forth in Section 5.04.

Parent Disclosure Letter shall have the meaning set forth in Article 4.

Parent Guarantor shall have the meaning set forth in the Introduction.

Partial AXIS Reimbursement shall have the meaning set forth in Section 8.02(h).

parties shall have the meaning set forth in the Introduction.

Paul, Weiss shall have the meaning set forth in Section 1.02.

Paying Agent shall have the meaning set forth in Section 2.02(a).

Payment Fund shall have the meaning set forth in Section 2.02(b).

Permits shall have the meaning set forth in Section 3.23(a).

Permitted Encumbrance means, with respect to a party: (i) statutory liens securing payments not yet due or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP and Liens for Taxes not yet due or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP in the most recent financial statements included in the SEC Reports of such party; (ii) such imperfections or irregularities of title, claims, liens, charges, security interests or encumbrances as do not affect the use of the properties or assets subject thereto or affected thereby or otherwise impair business operations at such properties; (iii) restrictions on transfer imposed by applicable Laws; (iv) assets pledged or transferred to secure reinsurance or retrocession obligations;

(v) ordinary course securities lending and short-sale transactions entered into in accordance with the Investment Guidelines; (vi) investment securities held in the name of a nominee, custodian or other record owner; (vii) statutory

deposits required under any applicable Insurance Laws or as may be required under other applicable Laws or Material Contracts, Reinsurance Contracts or Benefit Plans; (viii) non-exclusive licenses of Intellectual Property granted in the ordinary course of business consistent with past practice; (ix) zoning, building

Table of Contents

codes and other land use laws regulating the use or occupancy of any Owned Real Property or Leased Real Property or the activities conducted thereon and which are not violated by the current use or occupancy of such Owned Real Property or Leased Real Property; (x) encumbrances and restrictions on any Owned Real Property or Leased Real Property (including easement, covenants, conditions, rights of way and similar restrictions) that, individually or in the aggregate, do not materially impair, and would not reasonably be expected to materially impair, the present or intended use, occupancy and/or operation of such Owned Real Property or Leased Real Property; or (xi) any failure to hold good title which would not reasonably be expected, individually or in the aggregate, to materially detract from the value of any of the property, rights or assets of the business of such party or any of the Subsidiaries of such party or materially interfere with the use thereof as currently used by such party or, as the case may be, any of the Subsidiaries of such party.

Person shall mean an individual, a company, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

Personal Data has the same meaning as the term **personal data, personal information,** or the equivalent under applicable Data Protection Laws.

Policies shall mean all policies, policy forms, binders, slips, treaties, certificates, insurance or reinsurance contracts or participation agreements and other agreements of insurance or reinsurance, whether individual or group (including all applications, supplements, endorsements, riders and ancillary agreements in connection therewith) and all amendments, applications and certificates pertaining thereto issued by a party or any of its Insurance Subsidiaries.

PRE shall have the meaning set forth in the Introduction.

PRE Assets shall have the meaning set forth in Section 3.06(b).

PRE Board shall have the meaning set forth in the Recitals.

PRE Board Recommendation shall have the meaning set forth in Section 3.04(a).

PRE Bye-law Amendment shall mean amending the PRE Bye-laws by inserting in Bye-law 45 **AND MERGERS** in the title and after **amalgamation** the words **or merger** .

PRE Certificate shall have the meaning set forth in Section 2.02(a).

PRE Common Share shall have the meaning set forth in Section 2.01(a).

PRE Consideration shall have the meaning set forth in Section 2.01(b).

PRE Contracts shall have the meaning set forth in Section 3.06(c).

PRE s Counsel shall have the meaning set forth in Section 5.04.

PRE Credit Facilities shall mean those letter of credit facilities set forth on Section 9.14 of the PRE Disclosure Letter.

PRE Disclosure Letter shall have the meaning set forth in Article 3.

Table of Contents

PRE Dissenting Holder shall mean a holder of PRE Common Shares or PRE Preferred Shares who did not vote in favor of the Merger and who complies with all of the provisions of the Companies Act concerning the right of holders of PRE Common Shares or PRE Preferred Shares (as applicable) to require appraisal of their PRE Common Shares pursuant to Bermuda Law.

PRE Dissenting Shares shall mean PRE Common Shares held by a PRE Dissenting Holder.

PRE Option shall have the meaning set forth in Section 2.03(a).

PRE Option Payments shall have the meaning set forth in Section 2.03(a).

PRE Other Share-Based Award shall have the meaning set forth in Section 2.03(c).

PRE Preferred Percentage Interest shall mean, with respect to any Person, an amount (expressed as a percentage) equal to: (i) the number of PRE Preferred Shares held of record by such Person as of the Effective Time divided by (ii) the total number of PRE Preferred Shares issued and outstanding as of the Effective Time.

PRE Preferred Shares shall mean each of PRE s 6.50% Series D Cumulative Preferred Shares, $1.00 par value (**Series D Preferred**), 7.25% Series E Cumulative Preferred Shares, $1.00 par value (**Series E Preferred**) and 5.875% Series F Non-Cumulative Preferred Shares, $1.00 par value (**Series F Preferred**).

PRE SAR shall have the meaning set forth in Section 2.03(b).

PRE SAR Payments shall have the meaning set forth in Section 2.03(b).

PRE SEC Reports shall mean SEC Reports of PRE.

PRE Share Plans shall mean the PartnerRe Ltd. Amended and Restated Employee Equity Plan, the PartnerRe Ltd. Amended and Restated Non-Employee Directors Share Plan and the PartnerRe Ltd. Amended Employee Incentive Plan, in each case, as amended from time to time.

PRE Share Register shall have the meaning set forth in Section 2.02(a).

PRE Shareholders shall have the meaning set forth in Section 2.01(b).

PRE Shareholders Meeting shall have the meaning set forth in Section 5.01(d).

Preferred Payment Fund shall have the meaning set forth in Section 6.12(c)(i).

Proxy Statement shall have the meaning in Section 3.28.

Purchase Plans shall have the meaning in Section 6.05(b).

Real Property Lease shall have the meaning set forth in Section 3.22(b).

Registrar shall have the meaning set forth in Section 1.01.

Regulatory Material Adverse Effect shall have the meaning set forth in Section 5.03(d).

Reinsurance Contracts means the Assumed Reinsurance Contracts and the Ceded Reinsurance Contracts.

Relevant Record Holders shall have the meaning set forth in Section 6.01(b).

Table of Contents

Representatives shall have the meaning set forth in Section 6.08(b).

Required Permits shall have the meaning set forth in Section 3.23(a).

Requisite Merger Sub Vote means the approval and adoption of this Agreement, the Statutory Merger Agreement and the Merger by Parent, in its capacity as the sole shareholder of Merger Sub, which approval is provided in the form of a written resolution of Parent.

Requisite PRE Vote means the affirmative vote of a majority of the votes cast at a duly convened meeting of the shareholders of PRE, at which a quorum is present in accordance with PRE s Bye-Laws, to approve and adopt this Agreement, the Statutory Merger Agreement, and the Merger; *provided* that if the PRE Bye-law Amendment is not approved, then **Requisite PRE Vote** shall mean the affirmative vote of three fourths of the votes cast at a duly convened meeting of the shareholders of PRE at which a quorum is present to approve and adopt this Agreement, the Statutory Merger Agreement and the Merger in accordance with section 106(4A) of the Companies Act.

Ruling shall have the meaning set forth in Section 6.12(a).

SEC shall have the meaning set forth in Section 3.08(b).

SEC Reports shall have the meaning set forth in Section 3.10(a).

Securities shall have the meaning set forth in Section 3.02(b).

Securities Act shall have the meaning set forth in Section 3.10(a).

Series D-1 Preferred shall have the meaning set forth in Exhibit A.

Series E-1 Preferred shall have the meaning set forth in Exhibit A.

Series F-1 Preferred shall have the meaning set forth in Exhibit A.

Shareholders Meeting shall have the meaning set forth in Section 3.28.

Solicitation Period shall have the meaning set forth in Section 6.08(a).

Specified Approvals shall have the meaning set forth in Section 4.05(b).

SSPP shall mean PRE s Swiss Share Purchase Plan.

Statutory Merger Agreement shall have the meaning set forth in the Recitals.

Statutory Statements shall have the meaning set forth in Section 3.16(c).

Subsidiary shall mean, as to any Person, any corporation, partnership, joint venture, limited liability company, trust, estate or other Person of which (or in which), directly or indirectly, more than 50% of: (i) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency); (ii) the interest in the capital or profits of such partnership,

joint venture or limited liability company or other Person; or (iii) the beneficial interest in such trust or estate, is at the time owned by such first Person, or by such first Person and one or more of its other Subsidiaries or by one or more of such Person s other Subsidiaries.

Superior Acquisition Agreement shall have the meaning set forth in Section 6.08(e).

Table of Contents

Superior Acquisition Meeting shall have the meaning set forth in Section 6.13(b).

Superior Proposal means a bona fide written Acquisition Proposal (except that references in the definition of the **Acquisition Proposal** to 15% shall be replaced by 50%) made after the date of this Agreement by any Person (other than Parent or its Subsidiaries on terms that the PRE Board determines in good faith, after consultation with its outside legal counsel and financial advisors, and considering such factors as the PRE Board considers to be appropriate (including all the terms and conditions of the Acquisition Proposal, including any break-up fees, conditions to consummation, the timing and likelihood of consummation of such proposal), are more favorable to PRE and the PRE Shareholders than the transactions contemplated by this Agreement, taking into account any change to the transaction proposed by Parent.

Superior Proposal Notice shall have the meaning set forth in Section 6.08(e).

Surviving Company shall have the meaning set forth in the Recitals.

Surviving Company Preferred Shares shall have the meaning set forth in Section 2.01(g).

Takeover Statutes shall have the meaning set forth in Section 3.24.

Tax Return means any report, return, document, declaration or other information or filing required to be filed with respect to Taxes (whether or not a payment is required to be made with respect to such filing), including, without limitation, information returns, declarations of estimated Taxes, amended returns or claims for refunds (and any attachments thereto).

Taxes shall mean any and all federal, state, local, foreign or other taxes of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity, including taxes or other similar charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, capital, sales, use, transfer, inventory, license, capital stock, payroll, employment, unemployment, social security, workers compensation, severance, stamp, occupation, premium or net worth, and taxes or other similar charges in the nature of excise, withholding, ad valorem, value added, estimated taxes, or custom duties.

Termination Fee shall have the meaning set forth in Section 8.02(c).

Third Party Securities shall have the meaning set forth in Section 6.13(c).

Transaction Approvals shall mean have the meaning set forth in Section 3.08(f).

Transactions means the transactions contemplated by this Agreement and the Statutory Merger Agreement, including the Merger.

Treasury Regulations shall have the meaning set forth in the Recitals.

U.S. Benefit Plans shall have the meaning set forth in Section 3.18(b).

Uncertificated PRE Common Shares shall have the meaning set forth in Section 2.02(a).

VWAP shall mean, with respect to the Third Party Securities, the volume-weighted average price per share on the principal securities exchange on which such Third Party Securities trade, as reported by Bloomberg, L.P. (or, if

Bloomberg ceases to publish such price, any successor service reasonably chosen by Parent) in respect of the twenty consecutive trading day period, beginning at the open of trading on the first trading day of such period and continuing until the close of trading on such twentieth trading day.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

Table of Contents

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

EXOR N.V.

By: /s/ Marco Benaglia
Name: Marco Benaglia
Title: Director

PILLAR LTD.

By: /s/ Marco Benaglia
Name: Marco Benaglia
Title: Director

PARTNERRE LTD.

By: /s/ David Zwiener
Name: David Zwiener
Title: President and Chief Executive Officer

EXOR S.p.A,*

By: /s/ John Elkann
Name: John Elkann
Title: Chairman and CEO

* solely with respect to Sections 4.01 to 4.05, 6.13 and Section 9.13

[Signature Page to Agreement and Plan of Merger]

Table of Contents

Exhibit A

PRE Preferred Shares

Exchange Offer Term Sheet

The following is a summary of the principal terms of the proposed Exchange Offer. Capitalized terms used and not defined herein have the meanings ascribed to such terms in the Merger Agreement.

Exchange Offer:	1. Each share of PRE s 6.50% Series D Cumulative Preferred Shares, $1.00 par value that were continued as Surviving Company Preferred Shares with the same terms at Closing shall be exchangeable for one share of Surviving Company 7.50% Series D-1 Cumulative Preferred Shares, $1.00 par value (**Series D-1 Preferred**); 2. Each share of PRE s 7.25% Series E Cumulative Preferred Shares, $1.00 par value that were continued as Surviving Company Preferred Shares with the same terms at Closing shall be exchangeable for one share of Surviving Company 8.25% Series E-1 Cumulative Preferred Shares, $1.00 par value (**Series E-1 Preferred**); and 3. Each share of PRE s 5.875% Series F Non-Cumulative Preferred Shares, $1.00 par value that were continued as Surviving Company Preferred Shares with the same terms at Closing shall be exchangeable for one share of Surviving Company 6.875% Series F-1 Non-Cumulative Preferred Shares, $1.00 par value (**Series F-1 Preferred** , and together with the Series D-1 Preferred and Series E-1 Preferred, the **Newly Issued Surviving Company Preferred Shares**).
Summary of Material Terms of Newly Issued Surviving Company Preferred Shares:	The terms of the Newly Issued Surviving Company Preferred Shares will be provided in certificates of designation satisfactory to the Surviving Company, which will be substantially identical to the existing certificates of designation for each applicable series, but for the following changes: 1. *Dividend Rate*: 100 basis points greater than current per annum dividend rate of the applicable series of preferred. As a result, each series of Newly Issued Surviving Company Preferred Shares shall have the following dividend rates:

a. 7.50% of the liquidation preference per annum with respect to the Series D-1 Preferred

b. 8.25% of the liquidation preference per annum with respect to the Series E-1 Preferred

c. 6.875% of the liquidation preference per annum with respect to the Series F-1 Preferred

2. *Redemption*: Not redeemable by the Surviving Company prior to the later of (a) the fifth anniversary of the date of issuance and (b) January 1, 2021, except (i) with respect to the Series E-1 Preferred or Series F-1 Preferred (as applicable), if a **Change in Tax Law**

Table of Contents

(as defined in the certificates of designation for the Series E Preferred and Series F Preferred, as applicable) occurs, subject to the terms set forth in such certificates of designation; or (ii) with respect to the Series F-1 Preferred, if a **Capital Disqualification Event** occurs (as defined in the certificate of designation for the Series F Preferred), subject to the terms set forth in such certificate of designation.

3. *Surviving Company Distribution Restrictions*: From and after the Closing until December 31, 2020, the Surviving Company shall not make any Distributions in respect of any Junior Shares, except for Distributions during any fiscal quarter that do not, in the aggregate, exceed the Distributable Amount; *provided*, that with respect to the first fiscal quarter immediately following the Closing Date, the **Distributable Amount** shall be the Initial Distributable Amount; *provided*, *further*, that if the Surviving Company does not make aggregate Distributions of all of the Distributable Amount during any fiscal quarter, such remaining amount shall carryover and be available for Distributions in subsequent fiscal quarters, regardless of the Surviving Company s Net Income during such subsequent fiscal quarters.

Listing and Registration: Newly Issued Surviving Company Preferred Shares to be registered with the SEC, listed for public trading, and otherwise issued in accordance with all applicable laws.

Conditions to the Exchange Offer: The making, and acceptance, of the Exchange Offer shall be subject to compliance by the Issuer and exchanging holders with applicable laws.

Table of Contents

Exhibit B

FORM OF TAX OPINION

212 373 3000

212 757 3990

www.paulweiss.com

, 2015

PartnerRe Ltd.

90 Pitts Bay Road

Pembroke HM 08

Bermuda

Ladies and Gentlemen:

We have acted as tax counsel to PartnerRe Ltd., a Bermuda exempted company (**PartnerRe**), in connection with the proposed exchange offer (the **Exchange Offer**) wherein PartnerRe (as the Surviving Company in the Merger described in the Agreement and Plan of Merger by and among Parent, Merger Sub, PartnerRe and solely with respect to Sections 4.01 to 4.05, 6.13 and Section 9.13 thereof, Parent Guarantor, dated as of August [ ], 2015 (the **Merger Agreement**)) has offered to exchange each of its Series D Preferred, Series E Preferred and Series F Preferred shares (collectively, the **Surviving Company Preferred Shares**) for a new series of preferred shares (the **Exchange Securities**). This Exchange Offer is being offered pursuant to the materials delivered to the existing holders of the Surviving Company Preferred Shares in connection with the Exchange Offer (the **Exchange Offer Materials**) and offers the terms described in the Merger Agreement. This opinion is being furnished to you pursuant to Section 4.10 of the Merger Agreement. All capitalized terms used herein have their respective meanings set forth in the Merger Agreement unless otherwise stated.

In rendering the opinion expressed herein, we have reviewed copies of the Merger Agreement and the Exchange Offer Materials. We also have made such other investigations of fact and law and have examined such other documents, records and instruments as we have deemed necessary in order to enable us to render the opinion expressed herein.

In our examination of documents, we have assumed, with your consent, that: (i) all documents submitted to us are authentic originals, or if submitted as photocopies, that they faithfully reproduce the originals thereof; (ii) all such documents have been or will be duly executed to the extent required; (iii) all representations and statements set forth in such documents are true and correct; (iv) any representation or statement made as a belief or made to the knowledge of, or similarly qualified, is correct and accurate without such qualification; and (v) all obligations imposed by any such documents on the parties thereto have been or will be performed or satisfied in accordance with their terms.

Furthermore, we have assumed, with your consent, the accuracy of the representations contained in the Tax Certificate from Parent and the Surviving Company dated the date hereof. These representations relate to the transactions contemplated by the Merger Agreement, including the Exchange Offer, and the characterization of the Exchange

Securities as not fast-pay stock under the Internal Revenue Code of 1986, as amended (the **Code**) and Treasury Regulations promulgated thereunder.

Fast-pay stock is defined in Treasury Regulation Section 1.7701(l)-3(b)(2) as stock structured such that dividends paid on the stock are economically a return of the holder s investment (as opposed to only a return on the holder s investment). Treas. Reg. § 1.7701(l)-3(b)(2)(i) (emphasis added). Unless clearly demonstrated otherwise, stock is presumed to be fast-pay stock if either it is structured to have a dividend rate that is reasonably expected to decline, or it is issued for an amount that exceeds, by more than a de minimis amount, the

Table of Contents

amount at which the holder can be compelled to dispose of the stock. A fast-pay arrangement is defined in Treasury Regulation Section 1.7701(l)-3(b)(1) as any arrangement in which a corporation has fast-pay stock outstanding for any part of its taxable year. The determination of whether stock is fast-pay stock is based on all the relevant facts and circumstances, and the regulations provide that regulations on fast-pay stock and fast-pay arrangements are intended to prevent the avoidance of tax by persons participating in fast pay arrangements... and should be interpreted in a manner consistent with this purpose. Treas. Reg. § 1.7701(l)-3(a). In particular, the fast-pay regulations appear to seek to prevent shifting dividend income to tax indifferent parties.

The obligation to undertake the Exchange Offer was included in the Merger Agreement principally as an inducement for the holders of PRE Preferred Shares to encourage the PRE Board to enter into the Merger Agreement. The Exchange Securities being offered in exchange for the Surviving Company Preferred Shares have increased dividend rates, a dividend blocker as contemplated by the Merger Agreement, and five years of call protection, but otherwise have the same terms as the Surviving Company Preferred Shares. We understand that at the Closing of the Exchange Offer, each series of the Surviving Company Preferred Shares may trade above its redemption value. The Exchange Securities will be widely held and publicly traded. All shares of the Surviving Company other than the Surviving Company Preferred Shares are owned by a single non-U.S. shareholder.

There is no direct guidance on the treatment of an exchange of preferred stock for preferred stock when the old preferred shares trade above the redemption price. The Exchange Offer was undertaken for business purposes in connection with a larger business transaction. It was not undertaken for tax avoidance purposes described in the fast-pay regulations or other authorities on such regulations.

Based upon and subject to the foregoing, and in consideration of all the facts and circumstances, we are of the opinion that the Exchange Securities should not be fast-pay stock, and that the transactions effected by the Exchange Offer should not result in a fast-pay arrangement.

This opinion is given as of the date hereof and is based on various Code provisions, Treasury Regulations promulgated under the Code and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Further, any variation or difference in the facts from those set forth in the Merger Agreement and the Exchange Offer Materials may affect the conclusions stated herein.

We express no opinion as to any federal income tax issue or other matter except that set forth above. By rendering this opinion, we do not undertake to advise you with respect to any other matter or of any change in such laws or facts or in the interpretations of such laws which may occur after the date hereof.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON &

GARRISON LLP

Table of Contents

Exhibit C

FORM OF ALTERNATE TAX OPINION

212 373 3000

212 757 3990

www.paulweiss.com

, 2015

PartnerRe Ltd.

90 Pitts Bay Road

Pembroke HM 08

Bermuda

Ladies and Gentlemen:

We have acted as tax counsel to PartnerRe Ltd., a Bermuda exempted company (**PartnerRe**), in connection with the proposed exchange offer (the **Exchange Offer**) wherein PartnerRe (as the Surviving Company in the Merger described in the Agreement and Plan of Merger by and among Parent, Merger Sub, PartnerRe and solely with respect to Sections 4.01 to 4.05, 6.13 and Section 9.13 thereof, Parent Guarantor, dated as of August [ ], 2015 (the **Merger Agreement**)) has offered to exchange each of its Series D Preferred, Series E Preferred, and Series F Preferred shares (collectively, the **Surviving Company Preferred Shares**) for a new series of preferred shares (the **Alternate Exchange Securities**). This Alternate Exchange Offer is being offered pursuant to the materials delivered to the existing holders of the Surviving Company Preferred Shares in connection with the Alternate Exchange Offer (the **Alternate Exchange Offer Materials**) and offers the terms described in the Merger Agreement. This opinion is being furnished to you pursuant to Section 6.12 of the Merger Agreement. All capitalized terms used herein have their respective meanings set forth in the Merger Agreement unless otherwise stated.

In rendering the opinion expressed herein, we have reviewed copies of the Merger Agreement and the Alternate Exchange Offer Materials. We also have made such other investigations of fact and law and have examined such other documents, records and instruments as we have deemed necessary in order to enable us to render the opinion expressed herein.

In our examination of documents, we have assumed, with your consent, that: (i) all documents submitted to us are authentic originals, or if submitted as photocopies, that they faithfully reproduce the originals thereof; (ii) all such documents have been or will be duly executed to the extent required; (iii) all representations and statements set forth in such documents are true and correct; (iv) any representation or statement made as a belief or made to the knowledge of, or similarly qualified is correct and accurate without such qualification; and (v) all obligations imposed by any such documents on the parties thereto have been or will be performed or satisfied in accordance with their terms.

Furthermore, we have assumed, with your consent, the accuracy of the representations contained in the Tax Certificate from Parent and the Surviving Company dated the date hereof. These representations relate to the transactions

contemplated by the Merger Agreement, including the Alternate Exchange Offer, and the characterization of the Alternate Exchange Securities as not fast-pay stock under the Internal Revenue Code of 1986, as amended (the **Code**) and Treasury Regulations promulgated thereunder.

Fast-pay stock is defined in Treasury Regulation Section 1.7701(l)-3(b)(2) as stock structured such that dividends paid on the stock are economically a return of the holder s investment (as opposed to only a return on the holder s investment). Treas. Reg. § 1.7701(l)-3(b)(2)(i) (emphasis added). Unless clearly demonstrated otherwise, stock is presumed to be fast-pay stock if either it is structured to have a dividend rate that is

Table of Contents

reasonably expected to decline, or it is issued for an amount that exceeds, by more than a de minimis amount, the amount at which the holder can be compelled to dispose of the stock. A fast-pay arrangement is defined in Treasury Regulation Section 1.7701(l)-3(b)(1) as any arrangement in which a corporation has fast-pay stock outstanding for any part of its taxable year.

The obligation to undertake the Alternate Exchange Offer was included in the Merger Agreement principally as an inducement for the holders of PRE Preferred Shares to encourage the PRE Board to enter into the Merger Agreement. The Alternate Exchange Securities being offered in exchange for the Surviving Company Preferred Shares will have a dividend blocker as contemplated by the Merger Agreement and five years of call protection, but otherwise have the same terms as the Surviving Company Preferred Shares. We note that as further incentive to encourage the PRE Board to enter into the Merger Agreement, all holders of record of PRE Preferred Shares as of the Effective Time also received an inducement payment from Parent Guarantor equal to their *pro rata* share, determined in accordance with their PRE Preferred Percentage Interest, of approximately $42.7 million, which is the entire amount of 100 basis points of additional dividend payments for five years on all PRE Preferred Shares.

Based upon and subject to the foregoing, and in consideration of all the facts and circumstances, we are of the opinion that the Alternate Exchange Securities will not be fast-pay stock, and that the transactions effected by the Alternate Exchange Offer will not result in a fast-pay arrangement.

This opinion is given as of the date hereof and is based on various Code provisions, Treasury Regulations promulgated under the Code and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Further, any variation or difference in the facts from those set forth in the Merger Agreement and the Alternate Exchange Offer Materials may affect the conclusions stated herein.

We express no opinion as to any federal income tax issue or other matter except that set forth above. By rendering this opinion, we do not undertake to advise you with respect to any other matter or of any change in such laws or facts or in the interpretations of such laws which may occur after the date hereof.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON &

GARRISON LLP

Table of Contents

Exhibit D

FORM OF TAX OPINION

212 373 3000

212 757 3990

www.paulweiss.com

, 2015

PartnerRe Ltd.

90 Pitts Bay Road

Pembroke HM 08

Bermuda

Ladies and Gentlemen:

We have acted as tax counsel to PartnerRe Ltd., a Bermuda exempted company (PartnerRe), in connection with the proposed exchange offer (the Exchange Offer) wherein PartnerRe intends to offer to exchange each of its Series D Preferred, Series E Preferred, and Series F Preferred shares (collectively, the Surviving Company Preferred Shares or, before the consummation of the Merger, the PRE Preferred Shares) for a new series of preferred shares (the Exchange Securities). This Exchange Offer is contemplated by the Agreement and Plan of Merger by and among EXOR N.V., Pillar Ltd., PartnerRe Ltd. and solely with respect to Sections 4.01 to 4.05, Section 6.13 and 9.13, EXOR S.p.A., dated as of August 2, 2015, as amended by the First Amendment to Agreement and Plan of Merger, dated as of [ ] (the Merger Agreement). Following the Merger but before the consummation of the Exchange Offer, holders of the Surviving Company Preferred Shares will hold shares that are eligible to participate in the Exchange Offer. PartnerRe has obtained a private letter ruling from the Internal Revenue Service, dated [ ] (the Private Letter Ruling), to the effect that the Surviving Company Preferred Shares [will not be fast-pay stock]. This opinion is being furnished to you pursuant to Section 6.12(d) of the Merger Agreement. All capitalized terms used herein have their respective meanings set forth in the Merger Agreement unless otherwise stated.

In rendering the opinion expressed herein, we have reviewed copies of the Merger Agreement and the Private Letter Ruling. We also have made such other investigations of fact and law and have examined such other documents, records and instruments as we have deemed necessary in order to enable us to render the opinion expressed herein.

In our examination of documents, we have assumed, with your consent, that: (i) all documents submitted to us are authentic originals, or if submitted as photocopies, that they faithfully reproduce the originals thereof; (ii) all such documents have been or will be duly executed to the extent required; (iii) all representations and statements set forth in such documents are true and correct; (iv) any representation or statement made as a belief or made to the knowledge of, or similarly qualified is correct and accurate without such qualification; and (v) all obligations imposed by any such documents on the parties thereto have been or will be performed or satisfied in accordance with their terms.

Furthermore, we have assumed, with your consent, the accuracy of the representations contained in the Tax Certificate from PartnerRe dated the date hereof. These representations relate to the transactions contemplated by the Merger Agreement, including the Exchange Offer, and the characterization of the Exchange Securities as not fast-pay stock under the Internal Revenue Code of 1986, as amended (the Code) and Treasury Regulations promulgated thereunder.

Fast-pay stock is defined in Treasury Regulation Section 1.7701(*l*)-3(b)(2) as stock structured such that dividends paid on the stock are economically a return *of* the holder s investment (as opposed to only a return *on* the holder s investment). Treas. Reg. § 1.7701(*l*)-3(b)(2)(i) (emphasis added). Unless clearly demonstrated

Table of Contents

otherwise, stock is presumed to be fast-pay stock if either it is structured to have a dividend rate that is reasonably expected to decline, or it is issued for an amount that exceeds, by more than a *de minimis* amount, the amount at which the holder can be compelled to dispose of the stock. A fast-pay arrangement is defined in Treasury Regulation Section 1.7701(*l*)-3(b)(1) as any arrangement in which a corporation has fast-pay stock outstanding for any part of its taxable year.

The obligation to undertake the Exchange Offer was included in the Merger Agreement principally as an inducement for the holders of PRE Preferred Shares to encourage the PRE Board to enter into the Merger Agreement. The Exchange Securities being offered in exchange for the Surviving Company Preferred Shares have increased dividend rates, a dividend blocker as contemplated by the Merger Agreement, and five years of call protection, but otherwise have the same terms as the Surviving Company Preferred Shares.

Based upon and subject to the foregoing, and in consideration of all the facts and circumstances, we are of the opinion that the Surviving Company Preferred Shares will not be fast-pay stock following the consummation of the Merger and before the consummation of the Exchange Offer.

This opinion is given as of the date hereof and is based on various Code provisions, Treasury Regulations promulgated under the Code and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Further, any variation or difference in the facts from those set forth in the Merger Agreement and the Private Letter Ruling may affect the conclusions stated herein.

We express no opinion as to any federal income tax issue or other matter except that set forth above. By rendering this opinion, we do not undertake to advise you with respect to any other matter or of any change in such laws or facts or in the interpretations of such laws which may occur after the date hereof.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON &

GARRISON LLP

Table of Contents

Exhibit E

212 373 3000

212 757 3990

www.paulweiss.com

, 2015

PartnerRe Ltd.

90 Pitts Bay Road

Pembroke HM 08

Bermuda

Ladies and Gentlemen:

We have acted as tax counsel to PartnerRe Ltd., a Bermuda exempted company (PartnerRe), in connection with the proposed exchange offer (the Alternate Exchange Offer) wherein PartnerRe intends to offer to exchange each of its Series D Preferred, Series E Preferred, and Series F Preferred shares (collectively, the Surviving Company Preferred Shares or, before consummation of the Merger, the PRE Preferred Shares) for a new series of preferred shares (the Alternate Exchange Securities). This Alternate Exchange Offer is contemplated by the Agreement and Plan of Merger by and among EXOR N.V., Pillar Ltd., PartnerRe Ltd. and solely with respect to Sections 4.01 to 4.05, Section 6.13 and 9.13, EXOR S.p.A., dated as of August 2, 2015, as amended by the First Amendment to Agreement and Plan of Merger, dated as of [ ] (the Merger Agreement). Following the Merger but before the consummation of the Alternate Exchange Offer, holders of the Surviving Company Preferred Shares will hold shares that are eligible to participate in the Alternate Exchange Offer. This opinion is being furnished to you pursuant to Section 6.12(d) of the Merger Agreement. All capitalized terms used herein have their respective meanings set forth in the Merger Agreement unless otherwise stated.

In rendering the opinion expressed herein, we have reviewed a copy of the Merger Agreement. We also have made such other investigations of fact and law and have examined such other documents, records and instruments as we have deemed necessary in order to enable us to render the opinion expressed herein.

In our examination of documents, we have assumed, with your consent, that: (i) all documents submitted to us are authentic originals, or if submitted as photocopies, that they faithfully reproduce the originals thereof; (ii) all such documents have been or will be duly executed to the extent required; (iii) all representations and statements set forth in such documents are true and correct; (iv) any representation or statement made as a belief or made to the knowledge of, or similarly qualified is correct and accurate without such qualification; and (v) all obligations imposed by any such documents on the parties thereto have been or will be performed or satisfied in accordance with their terms.

Furthermore, we have assumed, with your consent, the accuracy of the representations contained in the Tax Certificate from PartnerRe dated the date hereof. These representations relate to the transactions contemplated by the Merger Agreement, including the Alternate Exchange Offer, and the characterization of the Alternate Exchange Securities as not fast-pay stock under the Internal Revenue Code of 1986, as amended (the Code) and Treasury Regulations

promulgated thereunder.

Fast-pay stock is defined in Treasury Regulation Section 1.7701(l)-3(b)(2) as stock structured such that dividends paid on the stock are economically a return of the holder s investment (as opposed to only a return on the holder s investment). Treas. Reg. § 1.7701(l)-3(b)(2)(i) (emphasis added). Unless clearly demonstrated otherwise, stock is presumed to be fast-pay stock if either it is structured to have a dividend rate that is reasonably expected to decline, or it is issued for an amount that exceeds, by more than a *de minimis* amount, the amount at which the holder can be compelled to dispose of the stock. A fast-pay arrangement is defined in Treasury Regulation Section 1.7701(l)-3(b)(1) as any arrangement in which a corporation has fast-pay stock outstanding for any part of its taxable year.

Table of Contents

The obligation to undertake the Alternate Exchange Offer was included in the Merger Agreement principally as an inducement for the holders of PRE Preferred Shares to encourage the PRE Board to enter into the Merger Agreement. The Alternate Exchange Securities being offered in exchange for the Surviving Company Preferred Shares will have a dividend blocker as contemplated by the Merger Agreement and five years of call protection, but otherwise have the same terms as the Surviving Company Preferred Shares. We note that as further incentive to encourage the PRE Board to enter into the Merger Agreement, all holders of record of PRE Preferred Shares as of the Effective Time also received an inducement payment from Parent Guarantor equal to their *pro rata* share, determined in accordance with their PRE Preferred Percentage Interest, of approximately $42.7 million, which is the entire amount of 100 basis points of additional dividend payments for five years on all PRE Preferred Shares.

Based upon and subject to the foregoing, and in consideration of all the facts and circumstances, we are of the opinion that the Surviving Company Preferred Shares will not be fast-pay stock following the consummation of the Merger and before the consummation of the Alternate Exchange Offer.

This opinion is given as of the date hereof and is based on various Code provisions, Treasury Regulations promulgated under the Code and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Further, any variation or difference in the facts from those set forth in the Merger Agreement may affect the conclusions stated herein.

We express no opinion as to any federal income tax issue or other matter except that set forth above. By rendering this opinion, we do not undertake to advise you with respect to any other matter or of any change in such laws or facts or in the interpretations of such laws which may occur after the date hereof.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON &

GARRISON LLP

Table of Contents

Annex A-1

AGREED FORM

DATED 2015

(1) PartnerRe Ltd.;

(2) Pillar Ltd.; and

(3) Exor N.V.

MERGER AGREEMENT

A-1-1

Table of Contents

AGREED FORM

THIS MERGER AGREEMENT is dated as of 2015

BETWEEN:

(1) **Exor N.V.** a Dutch public limited liability company (*naamloze vennootschap*) having its registered office at Claude Debussylaan 24, NL-1082 MD Amsterdam, The Netherlands (**Parent**);

(2) **Pillar Ltd.** an exempted company incorporated under the laws of Bermuda having its registered office at Cumberland House 9th Floor, 1 Victoria Street, Hamilton HM 11, Bermuda (**Merger Sub**); and

(3) **PartnerRe Ltd.** an exempted company incorporated under the laws of Bermuda having its registered office at Wellesley House South, 90 Pitts Bay Road Pembroke HM 08, Bermuda (**PRE**).

WHEREAS:

(A) Merger Sub is a wholly-owned subsidiary of Parent;

(B) Pursuant to the Agreement and Plan of Merger by and among Parent, Merger Sub, PRE, and solely with respect to Sections 4.01 to 4.05, Section 6.13 and Section 9.13, EXOR S.p.A., a *società per azioni* organized under the laws of the Republic of Italy, dated 2 August 2015 (**Plan of Merger**), and subject to the terms and conditions set forth therein, Parent, Merger Sub and PRE have agreed that Merger Sub will merge with and into PRE (**Merger**), with PRE continuing as the Surviving Company, in accordance with the provisions of the Companies Act 1981 of Bermuda, as amended (**Companies Act**); and

(C) This Agreement is the Statutory Merger Agreement referred to in the Plan of Merger.

NOW THEREFORE THE PARTIES HAVE AGREED AS FOLLOWS:

1. **DEFINITIONS**

Unless otherwise defined herein, capitalized terms have the same meaning as used and defined in the Plan of Merger.

2. **EFFECTIVENESS OF MERGER**

The parties to this Agreement agree that, on the terms and subject to the conditions of this Agreement and the Plan of Merger and in accordance with the Companies Act, at the Effective Time Merger Sub shall be merged with and into PRE with PRE surviving such Merger and continuing as the Surviving Company.

The Surviving Company will continue to be a Bermuda exempted company under the conditions of this Agreement and the Plan of Merger.

The Merger shall be conditional on the satisfaction or waiver on or before the Effective Time of each of the conditions to Merger identified in Article VII of the Plan of Merger.

The Merger shall become effective at the time and date shown on the Certificate of Merger issued by the Registrar of Companies in Bermuda.

Pursuant to Section 1.01 of the Plan of Merger, the parties to this Agreement have agreed to request that the Registrar of Companies in Bermuda provides in the Certificate of Merger that the Effective Time will be 10:00 a.m. and thereby effectively requesting 9:00 a.m., New York City time, on the Closing Date.

3. **NAME OF SURVIVING COMPANY**

The Surviving Company shall continue to be named **PartnerRe Ltd.** .

Table of Contents

4. **MEMORANDUM OF ASSOCIATION**

The memorandum of association of the Surviving Company shall be the memorandum of association of PRE immediately prior to the Effective Time until thereafter changed or amended as provided therein or pursuant to applicable law.

5. **BYE-LAWS**

The bye-laws of the Surviving Company shall be in the form of the bye-laws of Merger Sub in effect immediately prior to the Effective Time until thereafter changed or amended as provided therein or pursuant to applicable law.

6. **DIRECTORS**

The persons whose names and addresses are set out below, shall be the Board of Directors of the Surviving Company until their respective successors are duly elected or appointed or until the earlier of their death, resignation or removal in accordance with the bye-laws of the Surviving Company and applicable Laws:

NAME	**ADDRESS**
[to be inserted prior to execution]	[to be inserted prior to execution]
[to be inserted prior to execution]	[to be inserted prior to execution]
[etc].	

7. **EFFECT OF MERGER ON SHARE CAPITAL**

7.1 At the Effective Time by virtue of the Merger and without any action on the part of the holder of any share capital of Merger Sub or PRE:

(a) Notwithstanding anything in this Agreement or the Plan of Merger, to the contrary, each common share of PRE, par value $1.00 per share (each a **PRE Common Share**) that is owned by PRE, Parent or by any respective Subsidiary or Affiliate of PRE or Parent immediately prior to the Effective Time (**Excluded Shares**) shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and shall cease to exist, and no PRE Consideration shall be delivered in respect of the Excluded Shares.

(b) Each PRE Common Share issued and outstanding immediately prior to the Effective Time (other than the Excluded Shares) shall automatically be cancelled and converted into the right to receive an amount in cash equal to $137.50 without interest thereon (**PRE Consideration**). As of the Effective Time, all PRE Common Shares shall be cancelled automatically and shall cease to exist and the holders of PRE Common Shares (**PRE Shareholders**) shall cease to have any rights with respect to such PRE Common Shares, except: (i) in the case of the PRE Common Shares (other than Excluded Shares), the right to receive the PRE Consideration in accordance with Section 2.02 of the Plan of Merger, and (ii) in the case of the PRE Dissenting Shares that are PRE Common Shares, the PRE Consideration in accordance with Section 2.02 of

the Plan of Merger plus the excess, if any, of the fair value thereof as determined in accordance with (and subject to the terms and conditions of) the Plan of Merger over the PRE Consideration.

(c) Each common share of Merger Sub, par value $1.00 per share, issued and outstanding immediately prior to the Effective Time shall automatically be cancelled and converted into one validly issued, fully paid and non-assessable common share of the Surviving Company, par value $1.00 per share.

(d) The PRE Consideration shall be appropriately adjusted to reflect fully and equitably the effect of any share split, reverse share split, share consolidation, share subdivision, share bonus issue, share dividend (including any dividend or similar distribution of securities convertible into PRE Common Shares), reorganization, recapitalization, reclassification or other similar event that occurs between the date of this Agreement and the Effective Time with respect to PRE Common Shares in order to provide the

Table of Contents

PRE Shareholders with the same economic effect as contemplated by this Agreement and the Plan of Merger prior to any such event; provided, that nothing in this Section 7.1(d) nor Section 2.01(d) of the Plan of Merger shall be construed to permit PRE to take any action with respect to its securities that is prohibited by the terms of this Agreement or the Plan of Merger.

(e) At the Effective Time any PRE Dissenting Shares shall be cancelled, and unless otherwise required by applicable Law, be converted into the right to receive the PRE Consideration as described in Section 2.01(b) of the Plan of Merger or, as the case may be, the preferred shares of the Surviving Company as described in Section 2.01(g) of the Plan of Merger and any PRE Dissenting Holders, in the event that the Appraised Fair Value of a PRE Dissenting Share is greater than the PRE Consideration or, as the case may be, the value of their preferred shares of the Surviving Company described in Section 2.01(g) of the Plan of Merger, be entitled to receive such difference from the Surviving Company by payment within thirty (30) days after such Appraised Fair Value is finally determined pursuant to such appraisal procedure. PRE shall give Parent: (i) prompt notice of (A) any demands for appraisal of PRE Dissenting Shares or withdrawals of such demands received by PRE and (B) to the extent that PRE has Knowledge, any applications to the Supreme Court of Bermuda for appraisal of the fair value of the PRE Dissenting Shares; and (ii) to the extent permitted by applicable Law, the opportunity to participate with PRE in, and to be regularly consulted by PRE with respect to, any settlement negotiations and proceedings with respect to any written demands for appraisal under the Companies Act.

(f) Each of the PRE Preferred Shares issued and outstanding at the Effective Time shall remain outstanding as preferred shares of the Surviving Company (**Surviving Company Preferred Shares**) and shall be entitled to the same dividend and other relative rights, preferences, limitations and restrictions as are now provided by the respective certificate of designation, preferences and rights of such PRE Preferred Shares.

8. SETTLEMENT OF MERGER CONSIDERATION

Promptly after the Effective Time the exchange procedures identified in Section 2.02 of the Plan of Merger shall be implemented.

9. MISCELLANEOUS

9.1 Termination, Amendment and Waiver

(a) This Agreement shall terminate upon the earliest to occur of: (i) agreement in writing between Parent, Merger Sub and PRE at any time prior to the Effective Time; and (ii) automatically upon termination of the Plan of Merger in accordance with its terms. Without prejudice to any liability of any party in respect of any antecedent breach hereof or to any accrued rights of any party hereto (including those which have accrued under the Plan of Merger), if this Agreement is terminated pursuant to this Section then this Agreement shall terminate and there shall be no other liability between Parent and Merger Sub, on the one hand, or PRE, on the other hand.

(b) The amendment and extension; waiver provisions set out in Sections 8.03 and 8.04 of the Plan of Merger shall apply to this Agreement *mutatis mutandis*.

9.2 Entire Agreement

Except as set out in the Plan of Merger, this Agreement and any documents referred to in this Agreement, constitute the entire agreement between the parties with respect to the subject matter of and the transactions referred to herein and supersede any previous arrangements, understandings and agreements between them relating to such subject matter and transactions.

9.3 Execution in Counterparts

This Agreement may be executed in counterparts each of which when executed and delivered shall constitute an original but all such counterparts together shall constitute one and the same instrument.

Table of Contents

10. **NOTICES**

Any notice, request, instruction or other communication under this Agreement shall be in writing and delivered by hand, overnight courier service, facsimile or other electronic transmission:

IF TO PARENT OR TO MERGER SUB, TO:

c/o Exor N.V.

Postbus 11063

1001 GB Amsterdam

Attention: Marco Benaglia

Facsimile: 00352 22 7841

Email: m.benaglia@lu.exor.com

with a copy (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP

1285 Avenue of the Americas

New York, NY 10019

Attention: Toby S. Myerson

Kelley D. Parker

Facsimile: (212) 492-0033

Email: tmyerson@paulweiss.com

kparker@paulweiss.com

IF TO PRE, TO:

PartnerRe Ltd.

Wellesley House South, 90 Pitts Bay Road

Pembroke HM08

Bermuda

Attention: Marc Wetherhill, Chief Legal Counsel

Facsimile: (441) 292 3060

Email: marc.wetherhill@partnerre.com

with a copy (which shall not constitute notice) to:

Davis Polk & Wardell LLP

450 Lexington Avenue

New York, New York 10017

Attention: Phillip R. Mills

Facsimile: (212) 701 5800

Email: phillip.mills@davispolk.com

11. **GOVERNING LAW**

The terms and conditions of this agreement and the rights of the parties hereunder shall be governed by and construed in all respects in accordance with the laws of Bermuda. The parties to this agreement hereby irrevocably agree that the courts of Bermuda shall have non-exclusive jurisdiction in respect of any dispute, suite, action arbitration or proceedings (**Proceedings**) which may arise out of or in connection with this agreement and waive any objection to Proceedings in courts of Bermuda on the grounds of venue or on the basis that the Proceedings have been brought in an inconvenient forum.

Signature Page Follows

Table of Contents

AGREED FORM

IN WITNESS WHEREOF the parties hereto have executed this Agreement the day and year first written above.

SIGNED for and on behalf of

PARENT

By:

Name:

Title:

SIGNED for and on behalf of

MERGER SUB

By:

Name:

Title:

SIGNED for and on behalf of

PRE

By:

Name:

Title:

Table of Contents

Annex B

August 2, 2015

PartnerRe Ltd.

Wellesley House, 90 Pitts Bay Road

Pembroke, Bermuda HM 08

Attention: Board of Directors

Members of the Board:

You have asked us to advise you with respect to the fairness, from a financial point of view, to the holders of common shares of PartnerRe Ltd., (the Company), par value $1.00 per share (Company Common Shares), of the Consideration (as defined below) set forth in the execution version of the Agreement and Plan of Merger, dated August 2, 2015 (the Merger Agreement), to be entered into by and among Exor N.V. (Parent), Pillar Ltd. (Merger Sub), the Company and, solely with respect to certain specified provisions of the Merger Agreement, EXOR S.p.A. As more fully described in the Merger Agreement, (i) Merger Sub will merge with and into the Company (the Merger) and the separate corporate existence of Merger Sub shall thereupon cease and the surviving company shall continue as a Bermuda exempted company (the Surviving Company), upon the terms and subject to the conditions of the Merger Agreement and a statutory merger agreement in a form to be agreed between the parties (the Statutory Merger Agreement) and (ii) each outstanding Company Common Share that is owned by the Company, Parent or by any respective subsidiary or affiliate of the Company or Parent (the Excluded Persons) immediately prior to the effective time of the Merger (the Excluded Shares) shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and shall cease to exist, and no Merger Consideration (as defined below) shall be delivered in respect of the Excluded Shares and (iii) each outstanding Company Common Share (other than any Excluded Shares) shall automatically be cancelled and converted into the right to receive an amount in cash equal to $137.50, without interest thereon (the consideration in clause (iii), the Merger Consideration). In addition, the Merger Agreement provides that each holder of Company Common Shares as of immediately prior to the effective time of the Merger will be entitled to a special cash dividend of $3.00 per Company Common Share (such special dividend, together with the Merger Consideration, the Consideration).

In arriving at our opinion, we have reviewed the Merger Agreement, certain related agreements and certain business and financial information relating to the Company and Parent. We have also reviewed certain other information relating to the Company, including certain financial forecasts relating to the Company through 2017, prepared by and provided to or discussed with us by the Company and have met with the management of the Company to discuss the business and prospects of the Company. We have also considered certain financial and stock market data of the Company, and we have compared that data with similar data for other publicly held companies in businesses we deemed similar to those of the Company and we have considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions that have been effected or announced. We also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant.

In connection with our review, we have not independently verified any of the foregoing information, and we have assumed and relied upon such information being complete and accurate in all respects. With respect to the financial forecasts for the Company that we have used and relied upon for purposes of our analyses and opinion, management of the Company has advised us, and we have assumed, that such financial forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of the Company. We also have assumed, with your

Table of Contents

consent, that, in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Surviving Company or any of its subsidiaries or the contemplated benefits of the Merger and that the Merger will be consummated and the special dividend will be made in accordance with the terms of the Merger Agreement without waiver, modification or amendment of any material term, condition or agreement thereof, including as a result of the terms of the Statutory Merger Agreement. In addition, we have not been requested to make, and have not made, an independent evaluation or appraisal (including any actuarial appraisal) of the assets or liabilities (contingent or otherwise) of the Company, nor have we been furnished with any such evaluations or appraisals. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of the Company and its legal, tax, regulatory and actuarial advisors with respect to legal, tax, regulatory and actuarial matters. With your consent, we have further assumed that the final form of the Merger Agreement, when executed by the parties thereto, will conform to the draft reviewed by us in all respects material to our analyses and this opinion and that the terms of the Statutory Merger Agreement will in no way be material to the contemplated benefits of the Merger, our analyses or this opinion.

Our opinion addresses only the fairness, from a financial point of view, to the holders (other than the Excluded Persons) of Company Common Shares of the Consideration and does not address any other aspect or implication of the Merger or any other agreement, arrangement or understanding entered into in connection with the Merger or otherwise, including, without limitation, the fairness of the Merger to, or any consideration to be received in connection therewith, by, the holders of any other class of securities, including the Company s 6.50% Series D Cumulative Preferred Shares, the Company s 7.25% Series E Cumulative Preferred Shares or the Company s 5.875% Series F Non-Cumulative Preferred Shares, the fairness of the consideration that may be paid to dissenting holders of Company Common Shares, the fairness of the amount or nature of, or any other aspect relating to, any compensation to any officers, directors or employees of any party to the Merger, or class of such persons, relative to the Consideration or otherwise. The issuance of this opinion was approved by our authorized internal committee. We have not undertaken, and are no under obligation, to update, revise, reaffirm or withdraw this opinion, or otherwise.

Our opinion is necessarily based upon information made available to us as of the date hereof and financial, economic, market and other conditions as they exist and can be evaluated on the date hereof. Our opinion does not address the relative merits of the Merger as compared to alternative transactions or strategies that might be available to the Company, nor does it address the underlying business decision of the Company to proceed with the Merger. We were not requested to, and did not, solicit third party indications of interest in acquiring all or any part of the Company; however, we understand that the Company will solicit such indications of interest from potential buyers for a limited period after the date of the Agreement as permitted under the provisions thereof.

We have acted as financial advisor to the Company in connection with the Merger and will receive a fee for our services, a significant portion of which is contingent upon the consummation of the Merger. In addition, the Company

has agreed to indemnify us and certain related parties for certain liabilities and other items arising out of or related to our engagement. We and our affiliates have in the past provided, currently are providing and in the future may provide investment banking and other financial advice and services to the Company, Parent and their respective affiliates, including capital markets transactions for CNH Global, an affiliate of Parent, for which we and

Table of Contents

our affiliates have received, and would expect to receive, compensation. We are a full service securities firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, we and our affiliates may acquire, hold or sell, for our and our affiliates own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of the Company, Parent and any other company that may be involved in the Merger, as well as provide investment banking and other financial services to such companies.

It is understood that this letter is for the information of the Board of Directors of the Company in connection with its consideration of the Merger and does not constitute advice or a recommendation to any shareholder as to how such shareholder should vote or act on any matter relating to the proposed Merger.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Consideration is fair, from a financial point of view, to the holders of Company Common Shares, other than the Excluded Persons.

Very truly yours,

CREDIT SUISSE SECURITIES (USA) LLC

By: /s/ Alejandro Przygoda
Managing Director

Table of Contents

Annex C

August 2, 2015

The Board of Directors

PartnerRe Ltd.

90 Pitts Bay Road

Pembroke

Bermuda

Dear Members of the Board:

We understand that PartnerRe Ltd., a Bermuda exempted company (Company), Exor N.V., a Dutch public limited liability company (*naamloze vennootschap*) (Buyer), Pillar Ltd., a Bermuda exempted company and wholly owned subsidiary of Buyer (Merger Sub) and EXOR S.p.A., a *società per azioni* organized under the laws of the Republic of Italy (EXOR) propose to enter into an Agreement and Plan of Merger (the Agreement) dated as of August 2, 2015, pursuant to which Buyer will acquire Company (the Transaction). Pursuant to the Agreement, Merger Sub will be merged with and into Company (the Merger) and (a) each common share, par value $1.00 per share, of Company (Company Common Share), other than Company Common Shares held by (i) holders who are entitled to and properly demand an appraisal of their Company Common Shares, or (ii) Company, Buyer or any respective subsidiary or affiliate of Company or Buyer (such holders, collectively, Excluded Holders), will be converted into the right to receive $137.50 in cash, without interest thereon and (b) and Company will declare and pay a one-time extraordinary cash dividend to holders of Company Common Shares immediately prior to the effective time of the Merger (Effective Time) in the amount of $3.00 per Company Common Share (each of (a) and (b), together, the Consideration). Each of Company s 6.50% Series D Cumulative Preferred Shares, $1.00 par value, 7.25% Series E Cumulative Preferred Shares, $1.00 par value and 5.875% Series F Cumulative Preferred Shares, $1.00 par value (together, Company Preferred Shares) that are issued and outstanding at the Effective Time shall be converted into preferred shares in the name of Company as the surviving company, and we do not express any opinion as to their conversion or the modification of their terms, or otherwise relating in any way to those preferred shares. The terms and conditions of the Transaction are more fully set forth in the Agreement.

You have requested our opinion as of the date hereof as to the fairness, from a financial point of view, to holders of Company Common Shares (other than Excluded Holders) of the Consideration to be paid to such holders in the Transaction.

In connection with this opinion, we have:

(i) Reviewed the financial terms and conditions of the Agreement;

(ii) Reviewed certain publicly available historical business and financial information relating to Company;

(iii) Reviewed various financial forecasts for the six months ended 2015 and the years ended 2016 and 2017 and other data provided to us by Company relating to the business of Company;

(iv) Held discussions with members of the senior management of Company with respect to the business and prospects of Company;

(v) Reviewed public information with respect to certain other companies in lines of business we believe to be generally relevant in evaluating the business of Company;

(vi) Reviewed the financial terms of certain business combinations involving companies in lines of business we believe to be generally relevant in evaluating the business of Company;

(vii) Reviewed historical share prices and trading volumes of Company Common Shares; and

(viii) Conducted such other financial studies, analyses and investigations as we deemed appropriate.

Table of Contents

The Board of Directors

PartnerRe Ltd.

August 2, 2015

Page 2

We have assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information. We have not conducted any independent valuation or appraisal of any of the assets or liabilities (including loss reserves), contingent or otherwise, of Company or concerning the solvency or fair value of Company, and we have not been furnished with any such valuation or appraisal. As you are aware, management of the Company has not prepared forecasts relating to the business of the Company beyond 2017. With the consent of the Company, for purposes of our analyses, we have utilized the financial forecasts which are referred to in paragraph (iii) above and we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments as to the future financial performance of Company. We assume no responsibility for and express no view as to any such forecasts or the assumptions on which they are based.

Further, our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. We do not express any opinion as to the price at which shares of Company Common Shares may trade at any time subsequent to the announcement of the Transaction. In connection with our engagement, we have not been requested to and have not solicited indications of interest from third parties regarding a potential transaction with Company (although we note that the Agreement contains a customary go-shop provision which continues until 11:59 p.m. (New York time) on September 14, 2015). In addition, our opinion does not address the relative merits of the Transaction as compared to any other transaction or business strategy in which Company might engage or the merits of the underlying decision by Company to engage in the Transaction.

In rendering our opinion, we have assumed, with the consent of Company, that the Transaction will be consummated on the terms described in the Agreement, without any waiver or modification of any material terms or conditions. We also have assumed, with the consent of Company, that obtaining the necessary governmental, regulatory or third party approvals and consents for the Transaction will not have an adverse effect on Company or the Transaction. We do not express any opinion as to any tax or other consequences that might result from the Transaction, nor does our opinion address any legal, tax, regulatory, accounting or actuarial matters, as to which we understand that Company obtained such advice as it deemed necessary from qualified professionals. We express no view or opinion as to any terms or other aspects (other than the Consideration to the extent expressly specified herein) of the Transaction, including, without limitation, the form or structure of the Transaction or any agreements or arrangements entered into in connection with, or contemplated by, the Transaction. In addition, we express no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the Transaction, or class of such persons, relative to the Consideration or otherwise.

Lazard Frères & Co. LLC (Lazard) is acting as financial advisor to Company in connection with the Transaction and will receive a fee for such services, a portion of which is payable upon the rendering of this opinion and a substantial portion of which is payable upon the closing of the Transaction or the expiration or termination of our engagement by Company. We in the past have provided and in the future may provide certain investment banking services to EXOR

and/or certain of its affiliates, for which we have received and may receive compensation, including, during the past two years, having (a) advised Fiat S.p.A. on the acquisition of the remaining equity interests in Chrysler Group LLC from VEBA Trust (EXOR was at the time and continues to be the largest shareholder in Fiat S.p.A.) and (b) been retained to act as investment banker to the Special Committee of CNH Global in connection with the 2013 merger between CNH Global and Fiat Industrial (EXOR was at the time and continues to be the largest shareholder in Fiat Industrial and the successor firm CNH Industrial). Furthermore, we have had, and are currently engaged in, discussions with EXOR and certain of its affiliates on

Table of Contents

matters unrelated to Company and may in the future be engaged by such parties. In addition, in the ordinary course, Lazard and its affiliates and employees may trade securities of Company, EXOR and certain of their respective affiliates for their own accounts and for the accounts of their customers, may at any time hold a long or short position in such securities, and may also trade and hold securities on behalf of Company, EXOR and certain of their respective affiliates. The issuance of this opinion was approved by the Opinion Committee of Lazard.

Our engagement and the opinion expressed herein are for the benefit of the Board of Directors of Company (in its capacity as such) and our opinion is rendered to the Board of Directors of Company in connection with its evaluation of the Transaction. Our opinion is not intended to and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the Transaction or any matter relating thereto.

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, the Consideration to be paid to holders of Company Common Shares (other than Excluded Holders) in the Transaction is fair, from a financial point of view, to such holders.

Very truly yours,

LAZARD FRERES & CO. LLC

By /s/ Gary W. Parr
Gary W. Parr
Vice Chairman

Table of Contents

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the date before the meeting. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: x

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR proposals 1, 2, 3 and 4.	**For**	**Against**	**Abstain**
1. to approve amending the PartnerRe bye-laws by inserting in Bye-law 45 AND MERGERS in the title and after amalgamation the words or merger	¨	¨	¨
2 to approve and adopt the merger agreement, the statutory merger agreement required in accordance with Section 105 of the Companies Act and the merger	¨	¨	¨
3 on an advisory (nonbinding) basis, to approve the compensation that may be paid or become payable to PartnerRe s named executive officers in connection with the merger	¨	¨	¨
4 to approve an adjournment of the special general meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are insufficient votes to approve the merger proposal at the special general meeting	¨	¨	¨

NOTE: This proxy when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted FOR the proposal. If any other business is presented at the meeting, this proxy will be voted by the above-named proxies at the direction of the Board of Directors. At the present time, the Board of Directors knows of no other business to be presented at the meeting.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Investor Address Line 1

Investor Address Line 2

Investor Address Line 3

Investor Address Line 4

Investor Address Line 5

John Sample

1234 ANYWHERE STREET

ANY CITY, ON A1A 1A1

SHARES
CUSIP #
SEQUENCE #

Signature [PLEASE SIGN WITHIN BOX] Date **JOB #** Signature (Joint Owners) Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting: The Notice & Proxy Statement is/are available at www.proxyvote.com.

PartnerRe LTD.

This Proxy is solicited on behalf of the Board of Directors of PartnerRe Ltd.

in connection with our Special General Meeting of Shareholders

to be held on November 19, 2015

The undersigned shareholder(s) of PartnerRe Ltd. hereby appoint(s) Jean-Paul L. Montupet and David Zwiener, or either of them, the true and lawful attorney, agent and proxy of the undersigned, with full power of substitution to vote all of our Common Shares, $1.00 par value per share, which the undersigned may be entitled to vote at the Special General Meeting of Shareholders to be held Thursday, November 19, 2015 and at any adjournment or postponement of such meeting with all powers which the undersigned would possess if personally present, for the purposes set forth on the reverse side hereof.

This Proxy will be voted as directed or, if no direction is indicated, it will be voted FOR the approval of proposals 1, 2, 3 and 4 described on the reverse side. In his or their discretion, the proxies are authorized to vote this proxy upon such other business as may properly come before the Special General Meeting or any adjournment or postponement thereof.

Please complete, sign, date and return this card using the enclosed envelope.

Table of Contents

PARTNERRE LTD.

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you	**For**	**Against**	**Abstain**
vote FOR the following proposals:			

2.	to approve and adopt the merger agreement, the statutory merger agreement required in accordance with Section 105 of the Companies Act and the merger	¨	¨	¨
4.	to approve the adjournment of the special general meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are insufficient votes to approve the merger proposal at the special general meeting	¨	¨	¨

NOTE: This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted FOR the Proposal. If any other business is presented at the meeting, this proxy will be voted by the above-named proxies at the direction of the Board of Directors. At the present time, the Board of Directors knows of no other business to be presented at the meeting.

	Yes	**No**
Please indicate if you plan to attend this meeting	¨	¨

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting: The Notice & Proxy Statement is/are available at www.proxyvote.com.

PartnerRe Ltd.

This Proxy is solicited on behalf of the Board of Directors of PartnerRe Ltd. in

connection with our Special General Meeting of Shareholders

to be held on November 19, 2015

The undersigned shareholder(s) of PartnerRe Ltd. hereby appoint(s) Jean-Paul L. Montupet and David Zwiener, or either of them, the true and lawful attorney, agent and proxy of the undersigned, with full power of substitution to vote all of our Preferred Shares, $1.00 par value per share which the undersigned may be entitled to vote at the Special General Meeting of Shareholders to be held November 19, 2015 and at any adjournment or postponement of such meeting with all powers which the undersigned would possess if personally present, for the purposes set forth on the reverse side hereof

This Proxy will be voted as directed or, if no direction is indicated, it will be voted FOR the approval of proposals 2 and 4 described on the reverse side. In his or their discretion, the proxy is authorized to vote this proxy upon such other business as may properly come before the Special General Meeting or any adjournment or postponement hereof.

Continued and to be signed on reverse side