

The Shanghai Commercial & Savings Bank

Rules Governing Financial and Business Matters Between the Bank and its Affiliated Enterprises

Formulation Head office Accounting Department

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Article 1

To ensure sound financial and business interactions between the Bank and its affiliated enterprises and to prevent non arm's-length transactions and improper channeling of interests with respect to the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds between the Bank and its affiliated enterprises, these Rules are adopted pursuant to Article 26 of the Corporate Governance Best-Practice Principles for Banking and Article 23 of the Corporate Governance Best-Practice Principles of the Bank.

Article 2

Except as otherwise provided by law and regulation, financial and business matters between the Bank and its affiliated enterprises shall be handled in accordance with the provisions of these Rules.

Article 3

The term "affiliated enterprise" as used herein means an enterprise that, in accordance with Article 369-1 of the Company Act, exists independently and has either of the following relationships with the Bank:

1. A relationship of control or subordination.

2. A relationship of mutual investment.

In determining whether a relationship of control or subordination under the preceding subparagraph exists, the substance of the relationship shall be considered in addition to the legal form.

Article 4

Any loans or endorsements/guarantees between the Bank and its affiliated enterprise shall be carefully assessed and carried out in compliance with the provisions of the Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies and with the procedures prescribed by the Bank regarding Loans to Others and Provision of Endorsements/Guarantees.

Except for those who should report to the board of directors for approval in accordance with laws and regulations, the highest authorization level is the board of managing directors

Article 5

Business interactions between the Bank and its affiliated enterprises shall be in accordance with the following principles :

5.1 Transfer pricing and payment methods shall be expressly stipulated for any business interaction between the Bank and its affiliated enterprises. The purpose, pricing, and terms of a transaction, and its formal and substantive nature and the related handling procedures, shall not differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable.

5.2 When the Bank needs to require the purchase of finished products, semi-finished products, or materials from any of its affiliated enterprises, purchasing personnel shall thoroughly evaluate the reasonableness of the price quoted by the affiliated enterprises based on market prices and other transaction terms and conditions. Except in special circumstances, or given advantageous conditions that differ from those of ordinary suppliers, under which the granting of preferential pricing or terms of payment can be reasonably stipulated, any other prices and payment terms shall be commensurate with those offered to ordinary suppliers.

5.3 Price quotes for the sale to its affiliated enterprise shall be made with reference to current market prices. Except in cases of long-term cooperation or other special factors that are different from ordinary clients, under which reasonable stipulations may be made to grant preferential pricing or terms of payment, any other prices and payment terms shall be commensurated with those offered to ordinary clients.

5.4 For professional or technical services provided between the Bank and its affiliated enterprise, both shall enter into a contract stipulating the scope of the services, fees charged, time period, payment terms, and after-sales service. The contract shall be implemented after approval by the authorization level complied with the Bank's layered responsibility schedule, and all contract terms and conditions shall comply with normal business practice.

5.5 By the end of each month, the accounting personnel of both the Bank and its affiliated enterprise shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

Article 6

Any asset transaction between the Bank and its affiliated enterprise shall be conducted in accordance with the procedures for acquisition and disposal of assets prescribed by the Bank.

Article 7

When a financial and business interaction between the Bank and its affiliated enterprise should be approved by a person who is a related party of the Bank, the interaction should be approved by his deputy instead as any related party shall be subject to the principle of interest avoidance.

With respect to any financial or business interaction between the Bank and its affiliated enterprise that requires a resolution of the board of directors, full consideration shall be given to each director's opinion (including independent directors). Specific opinions by the director's expressing assent or dissent, and the reasons for dissent, shall be included

in the minutes of board meetings.

When a director or a legal representative is an interested party with respect to a particular agenda item, that director shall enter into recusal and may neither take votes or discussion on that item nor exercise voting rights as proxy for another director.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests on that agenda item, such director shall be deemed to have interests in the matter.

Upon discovering that, in the course of their duties, the board of directors or a director has committed a violation of law or regulation, the articles of incorporation, or a shareholders meeting resolution, Audit Committee or Independent Directors shall immediately notify the board of directors or the individual director to cease the misconduct, and shall take appropriate measures to curb expansion of the misconduct. When necessary, Audit Committee or Independent Directors shall also file a report with the relevant regulatory authority or agency.

Article 8

If an affiliated enterprise experiences financial difficulties, the Bank shall obtain its financial statements and related materials in order to assess the resulting effect on the finances, business, or operations of the Bank, and when necessary, appropriate conservatory measures shall be adopted to safeguard the Bank's rights as a creditor.

Article 9

The supervision of the operation and management between the Bank and subsidiaries shall be handled in accordance with the Bank's Guidelines on the Supervision and Management of Subsidiaries and the relevant internal control system prescribed by the Bank.

Article 10

Any matters not adequately provided for herein shall be subject to the Bank and the competent authority regulations concerned

Article 11

These Rules, and any amendments hereto, shall be implemented after adoption by the board of directors.