

RELEVANT LAWS AND REGULATIONS OF THE PRC RELATING TO THE INDUSTRY AND THE GROUP

The relevant PRC laws and regulations relating to the Group's business include, among others, the Measures for Administration of Network Access for Telecommunication Equipment and the Regulations on Telecommunication. Summaries of these regulations and rules are as follows:—

《電信設備進網管理辦法》(THE MEASURES FOR ADMINISTRATION OF NETWORK ACCESS FOR TELECOMMUNICATION EQUIPMENT)

《電信設備進網管理辦法》(The Measures for Administration of Network Access for Telecommunication Equipment) were promulgated by the MII on 10 May 2001. The PRC implements a Network Access Licence system for access to public telecommunication networks by certain prescribed types of telecommunication terminal equipment, wireless communications equipment and equipment involving interconnections between networks. A Network Access Licence issued by the MII must be obtained for telecommunication equipment subject to the Network Access Licence system. If a Network Access Licence is not obtained, the equipment may not be connected to a public telecommunication network. Neither may it be used or sold in the PRC.

The MII, together with the department of the State Council responsible for product quality supervision, is responsible for formulating and promulgating lists of telecommunication equipment which is subject to the Network Access Licence system. A production enterprise of telecommunication equipment ("Production Enterprise") must make its application for a Network Access Licence in compliance with the relevant laws, regulations and policies. To qualify for a Network Access Licence, the telecommunication equipment must satisfy the standards of the State in relation to the telecommunication industry as well as the requirements of the MII. The Production Enterprise should have complete quality guarantee system and after-sale service procedures in place. When the Production Enterprise submits its application for a Network Access Licence, it is required to enclose a testing report issued by an inspection organisation authorised by the MII and approved by the department of State Council responsible for product quality supervision, or a product quality system authentication certificate issued by a certification body. The basis, testing procedures and issue of assessment report for the inspection of the telecommunication equipment for the Network Access Licence applications, which are conducted by inspection bodies, must be in conformity with the requirements of the State or the MII. 中國電信管理局 (The State Telecommunication Management Bureau) is responsible for the nationwide administration and supervision of network access for telecommunication equipment. 通信管理局 (Communication Management Bureau) of various provinces, autonomous regions and municipalities directly under the central authority is responsible for the local administration and supervision of network access for telecommunication equipment. Besides, organisations authorised by the MII to handle the applications of telecommunication equipment for Network Access Licences may also deal with application matters.

The MII shall, within 60 days after receiving a Network Access Licence application, complete its examination on the application and telecommunication equipment testing report or the product quality certificate, and decide whether to approve or disapprove it. If approved, the Network Access Licence will be issued; otherwise, a written notification stating the reason of rejection shall be sent to the applicant. The Production Enterprise shall ensure the stable and reliable quality of, and must not reduce the quality and performance of, its telecommunication equipment after obtaining the Network Access Licence.

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The Production Enterprise must affix its Network Access Licence labels to the telecommunication equipment. Being all printed and issued by the MII, the Network Access Licence label is a label of quality and may not be affixed to any telecommunication equipment which has not been issued with the Network Access Licence or whose Network Access Licence has been invalidated. The Network Access Licences and the Network Access Licence labels must not be transferred, altered, fabricated or infringed.

The term of validity of a Network Access Licence is three years. The Production Enterprise should only continue to produce and sell the telecommunication equipment with Network Access Licence. The renewal application for a Network Access Licence must be made at least three months prior to the expiry of the Network Access Licence and enclose a testing report submitted for inspection within one year or sample testing report issued by product quality inspectors. If there occurs any change in the content specified in the Network Access Licence of telecommunication equipment, the Production Enterprise must re-apply for the Network Access Licence. The Production Enterprise having obtained a Network Access Licence must provide copies of the Network Access Licence to its distributors and users if they so require.

The MII will regularly announce to the public the lists of the telecommunication equipment and Production Enterprises which have been issued with Network Access Licence. Production Enterprises having obtained the Network Access Licences must timely report the issue of Network Access Licences to the relevant Communication Management Bureaus of provinces, autonomous regions and municipalities directly under the central authority and operate under the bureaus' supervision and management.

《電信條例》(REGULATIONS ON TELECOMMUNICATION)

《電信條例》(The Regulations on Telecommunication) (the "Regulations") were promulgated by the State Council on 25 September 2000. Pursuant to the Regulations, the MII shall implement the nationwide management of telecommunication industry. Under the supervision of the MII, 通信管理局 (Communication Management Bureaus) of provinces, autonomous regions and municipalities directly under the central authority shall be responsible for the supervision and management of their respective local telecommunication industry under the Regulations.

Enterprises permitted to operate telecommunication business must legally acquire their business licences of telecommunication operation through registration with the relevant enterprise registration authorities. Special telecommunication operators operating telecommunication business in their respective districts at which the operator's offices are located must make applications, obtain approval of the business licences of telecommunication operation in accordance with the requirements of the Regulations and relevant procedures, and then make registration according to the requirements previously stated.

The construction of public telecommunication network, private telecommunication network and broadcast and television transmission network must comply with the overall planning and industrial management of the MII, the competent authority in charge of information industry under the State Council. The construction of public telecommunication network, private telecommunication network and broadcast and television transmission network, which fall into the categories of nationwide information network engineering or the

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project out of the scope stipulated by the State, must obtain permission from the competent authority of information industry under the State Council prior to the reporting for approval according to the procedures of examination and approval for the State Council construction projects.

The State applies the Network Access Licence system to telecommunication terminal equipment, wireless communication equipment and equipment involving interconnections between networks. Telecommunication terminal equipment, radio communication equipment and equipment involving interconnections between networks accessing to public telecommunication network must be in line with the standards stipulated by the State and obtain Network Access Licences. The catalogue containing telecommunication equipment applicable to the Network Access Licence system is formulated and promulgated by the competent authority of information industry under the State Council jointly with the department of the State Council responsible for product quality supervision. In relation to the telecommunication equipment having been issued the Network Access Licences, the department of the State Council responsible for product quality supervision, together with the competent authority of information industry under the State Council, is responsible for monitoring the quality, supervising the sampling and inspection and announcing the results.