

The PRC Legal System

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, rules and regulations of departments, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC Government is a signatory. Court judgment do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

The PRC Constitution (《中華人民共和國憲法》), enacted by the National Peoples' Congress of the PRC (the "NPC"), is basis of the PRC legal system and has supreme legal authority.

The NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council shall formulate administrative regulations according to the constitution and laws.

People's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations. People's congresses of large cities and their respective standing committees may enact local regulations based on the specific circumstances and requirements of the local administrations, which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, provided that no adaptations shall be made to provisions in the constitution and national region autonomy law and specific provisions on national autonomous areas contained in other relevant laws and administrative regulations.

The ministries, commissions, People's Bank of China, Audit Office and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and large cities may formulate rules and regulations based the laws, administrative regulations and the relevant local regulations.

According to the PRC Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, interpretation on the application of laws and decrees in court trials and the procuratorial work of the procuratorates shall be given by the Supreme People's Court. Interpretation of laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's governments of the respective provinces, autonomous regions and municipalities.

The PRC Judicial System

Pursuant to the Law of Organization of the People's Courts of the PRC (《中華人民共和國法院組織法》) passed on July 1, 1979 and amended on September 2, 1983, December 2, 1986 and October 31, 2006, the jurisdiction of the PRC shall be exercised by the special people's courts including local people's courts and military courts and the Supreme People's Court. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are divided into criminal, civil, and economic divisions as well as certain people's courts based on the natures of the region, population and cases. The intermediate and higher people's courts are divided into criminal, civil, and economic divisions as well as other divisions as necessary. The Supreme People's Court is the highest judicial organ of the PRC, which is divided into criminal, civil, and economic divisions as well as other necessary divisions.

The people's courts adopt a "second instance as final" appellate system in the trial of cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorate within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

If the presidents of the people's courts find errors in the confirmed facts or the application of laws in respect of their judgments and rulings which have become legally effective, the case must be submitted to the judicial committee for settlement. If the Supreme People's Court or a people's court at a higher level finds errors in the judgments and rulings which have become legally effective in the local people's courts at a lower level, the case may be brought to trial by the Supreme People's Court or a retrial of the case may be conducted by the people's court at a lower level according to the command of the people's court at a higher level. If the supreme people's procuratorate or the people's procuratorate at a higher level find errors in the judgments and rulings which have become legally effective in the people's procuratorate at a lower level, an appeal may be lodged in accordance with the trial and supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 prescribes the jurisdiction, trial structure, participants, testimony, trial and execution procedures to be followed for conducting a civil action. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law.

A civil case is generally heard by a court located in the defendant's place of domicile. The parties to disputes involving contracts or other property rights may also, by written agreement and subject to the provisions of level jurisdiction and exclusive jurisdiction, select the people's courts with its locality with effective connection of the disputes, such as the defendant's place of domicile, the place of performance of the contract, the place of execution of the contract, the plaintiff's place of domicile or the place of the object of the action. Foreign individuals, stateless individuals and foreign enterprises and organizations shall have the same litigation rights and obligations as the citizens, legal persons and other organizations of the PRC when initiating actions or defending against litigations at the people's courts. Should the judicial court of a foreign country limit the civil litigation rights of the citizens, legal persons and other organizations of the PRC, the PRC courts may apply the same limitations to the citizens, enterprises and organizations of that foreign country. The foreign individual, stateless individual or foreign enterprise or organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of the litigation. In accordance with the international treaties in which the PRC is a signatory or a participant or the principle of reciprocity, the people's court and foreign court may request each other to serve legal documents on their behalf, conduct investigation and collect evidence and conduct other actions. The people's courts shall not enforce any request made by the foreign courts which will result in the violation of sovereignty, security or public interests of the PRC.

The Company Law, Special Regulations and Mandatory Provisions

The Company Law of the PRC (《中華人民共和國公司法》) (the "Company Law") was adopted by the Standing Committee of the NPC on December 29, 1993 and was amended thrice on December 25, 1999, August 28, 2004 and October 27, 2005. The latest revised Company Law came into effect on January 1, 2006. The Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《關於股份有限公司境外募集股份及上市的特別規定》) ("Special Regulations") was promulgated on August 4, 1994 by the State Council. The Mandatory Provisions for the Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provisions") was promulgated jointly by the CSRC and the State Commission for Restructuring on August 27, 1994. The Company Law, Special Regulations and Mandatory Provisions constitute the main regulatory framework for the joint stock limited companies listed overseas, and their major provisions are summarized as follows:

General

A "company" is a corporate legal person incorporated in accordance with the Company Law with independent legal person status and entitlements to such legal person properties and liability to the extent of its total assets.

Companies can be divided into limited liability companies and joint stock limited companies. The liability of shareholders of a limited liability company is limited to the amount of capital they contribute, while the liability of shareholders of a joint stock limited company is limited to the amount of shares they subscribe.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of two but not more than two hundred promoters. At least half of the promoters must have residence within the PRC.

For joint stock limited companies incorporated by promotion, the entire registered capital as registered with the registration authorities of which is subscribed for by the promoters. The initial capital contribution by all promoters of the joint stock limited company shall not be less than 20% of the registered capital. The remainder shall be paid up by the promoters within two years from the date of incorporation of the joint stock limited company. For investment joint stock limited companies, the remainder may be paid up within five years. Shares in the company shall not be offered to other persons unless the registered capital has been paid up. For joint stock limited companies incorporated by public subscription, the registered capital is the amount of its total paid-up capital as registered with the registration authorities.

The minimum registered capital of a joint stock limited company is RMB5 million or as required by the laws or administrative regulations, whichever is higher.

For joint stock limited companies incorporated by way of promotion, the promoters shall subscribe in full in writing for shares required to be subscribed by them by the articles of association. The full amount of capital contribution shall be paid up if payments are made in one lump sum and the first installment shall be paid forthwith if payments are made in installments. Procedures relating to the transfer of title for nonmonetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provision shall be liable for breach of contract in accordance with the covenants laid down in the promoters' agreement. After the promoters have completed the initial capital contribution, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authorities, together with a capital verification certificate issued by a capital verification institution established according to the law and other documents required by the law or administrative regulations.

Where joint stock limited companies are incorporated by subscription, not less than 35% of their total shares must be subscribed for by the promoters, unless otherwise provided for by the law or administrative regulations. A promoter who offers shares to the public must publish a prospectus and draft a share subscription form to be signed and sealed by subscribers, specifying the stipulated information pursuant to article 87 of the Company Law including the number and amount of shares to be subscribed for and their addresses. The subscribers shall pay up the amounts for the number of shares they have subscribed for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities firms established according to laws and underwriting agreements in relation to which shall be signed. A promoter offering shares to the public shall also sign an agreement with a bank in relation to the receipt of subscription amounts. The receiving bank shall receive and keep in custody the subscription amounts, issue receipts to subscribers who have paid the subscription amounts and furnish evidence of receipt of subscription amounts to the relevant authorities.

After the subscription amounts for the share issuance have been paid in full, a capital verification institution established according to laws must be engaged to conduct capital verification and issue a report thereon. The promoters shall convene an inauguration meeting within 30 days from

the date the subscription amounts have been fully paid up. The inauguration meeting shall be constituted by the presence of the promoters and subscribers. Where shares issued remain undersubscribed by the deadline stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after subscription amounts for the shares issued have been fully paid up, the subscribers may demand the promoter return the subscription amounts so paid up together with interest at bank rates payable for a deposit of an equivalent amount for the same term. The promoters shall give notice to each of the subscribers or make a public announcement regarding the date of the inaugural meeting no less than 15 days before the date of the meeting. The inauguration meeting shall be held only if the promoters and subscribers representing more than half of the total shares issued are present.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company.

Upon the establishment of the joint stock limited company, in the event that only partial payment of contribution has been made by a promoter, the remainder shall be paid in full in accordance with the provisions of the articles of association, whereas other promoters shall bear joint and several liabilities. Where the actual value of the nonmonetary capital contribution for the establishment of the company is significantly lower than the carrying amount stated in the articles of association, the promoter of such contribution shall make up the difference, whereas other promoters shall bear joint and several liabilities.

Promoter(s) of a joint stock limited company shall bear the following liabilities:

- where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;
- where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus the bank deposit interest for the same period of time; and
- where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Amendments to the Articles of Association

A company may amend its articles of association in accordance with the laws, administrative regulations and the articles of association. Any amendment to the articles of association involving any issue set out in the Mandatory Provisions shall become effective upon approval by the company approval department authorized by the State Council and by the CSRC. If there is any change relating to the registration of the company, application shall be made for registration of the changes in accordance with the laws.

Share Capital

The promoter of a joint stock limited company may make capital contribution in cash or in kind by injection of nonmonetary property such as assets, intellectual property rights or land use rights with monetary value and lawfully transferrable, save for assets prohibited to be contributed as capital by the

law or administrative regulations. If a capital contribution is made with nonmonetary assets, a valuation and verification of the asset contributed must be carried out without any overvaluation or undervaluation. Where the law or administrative regulations in place have any other provisions on valuation, such provisions shall prevail. The amount of monetary contribution by all shareholders shall not be less than 30% of the registered capital of the company.

The issuance of shares shall be conducted in a fair and equitable manner. Shares of the same class shall rank *pari passu* with one another and shall be issued on the same conditions and at the same price. The same price per share shall be paid by any units or individuals subscribing for shares. The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

A joint stock limited company may issue registered or bearer share certificates. Approval from the CSRC shall be obtained for the purpose of public share offering overseas. Shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Foreign shares listed overseas may be issued in form of foreign depository receipts or other derivative means. Where a company issues foreign shares listed overseas that the total number of which falls below the total number of shares under the proposed offering, it may, upon approval of the CSRC, retain shares of not more than 15% of the total number of foreign share overseas listing under such proposed offering besides the amount of underwritten shares agreed with the underwriters. Issuance of the retained shares shall form a part of the offering. Shares issued to promoters and legal persons shall be registered under the names of such promoters and legal persons and shall not be registered under any other names or the names of its representatives.

Increase in Share Capital

When a company is issuing new shares, resolutions shall be passed by the shareholders' general meeting approving the class, number and issue price of the new shares, the dates of commencement and completion of the issue and the class and amount of new shares to be issued to existing shareholders. When a company launches a public issue of new shares with the approval of the CSRC, a new share offering prospectus and financial report must be published and a subscription form must be prepared.

After the new share issuance of the company has been paid up, the change must be registered with the company registration authorities and an announcement must be made.

Reduction of Share Capital

A balance sheet and a property list shall be prepared for the purpose of the reduction of registered capital of a company.

The company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution regarding the reduction is made. The creditors of the company may require the company to pay its debts or provide guarantees for the debts within 30 days upon receiving such notice or, in the absence of such notice, within 45 day from the date of the relevant announcement.

The registered capital of the company following the reduction shall not fall below the minimum statutory requirement. The company shall register the change for capital reduction with the relevant company registration authority.

Repurchase of Shares

A company may not purchase its own shares other than for one of the following purposes:

- to reduce its registered capital;
- to merge with another company that holds its shares;
- to grant shares to its employees as incentives; and
- to purchase its own shares from its shareholders who are against the resolution regarding the merger or demerger with another company in a shareholders' general meeting.

Where the company purchases its own shares for the purposes of the first to third items above, it shall obtain approval at the shareholders' general meeting. Following the acquisition of its shares in accordance with the foregoing, such shares shall be canceled within ten days from the date of acquisition in the case of the first circumstance and transferred or canceled within six months in the case of the second to fourth circumstances above.

Shares acquired by the company for the purpose of the third item under paragraph one of this section shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds appropriated from the profit after tax of the company, and the shares so acquired shall be transferred to the employees of the company within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder may only effect a transfer of its shares on a stock exchange established in accordance with law or by other ways as required by the State Council.

Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. No changes of registration in the share register provided in the foregoing shall be effected during a period of twenty days prior to the convening of the shareholders' general meeting or five days prior to the record date for the purpose of dividend distribution. Where the laws in place have any other provisions on the registration of changes in the share register of listed companies, such provisions shall prevail.

The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder.

Shares held by a promoter may not be transferred within one year from the date of the establishment of a company. Shares of the company issued before the public offering of shares shall not be transferred within one year from the date on which the shares are listed and commenced trading on a stock exchange. Directors, supervisors and senior management of a company shall report to the

company their shareholdings in the company and changes therein and shall not transfer more than 25% of the total number of shares they held in the company during their terms of office. The shares of the company held by them shall not be transferred within one year from the date on which the shares are listed. They shall not transfer the shares of the company held by them within six months from the date they leave the company. The articles of association may lay down other restrictive provisions in respect of the transfer of shares in the company held by the directors, supervisors and senior management of the company.

Shareholders

A shareholder of a company is a person who lawfully holds shares in the company and whose name (title) is entered in the register of shareholders. A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held by him. Shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

The shareholders of ordinary shares of a company shall enjoy the following rights:

- the right to receive dividends and other distributions in proportion to their shareholdings;
- the right to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;
- the right to supervise the company's business operations, present proposals or raise queries;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to obtain relevant information in accordance with the articles of association;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining assets of the company in proportion with the number of shares held; and
- other rights conferred by laws, administrative regulations and the articles of association.

The shareholders of ordinary shares of the Company shall assume the following obligations:

- to comply with the articles of association;
- to pay subscription money according to the number of shares subscribed and the method of subscription; and
- other obligations imposed by laws, administrative regulations and the articles of association.

Shareholders of the company shall not abuse their shareholders' rights to damage the interests of the company or other shareholders, or to take advantage of the company's independent status or the limited liability of shareholders to damage the interests of the company's creditors.

Shareholders' General Meetings

A shareholders' general meeting of a joint stock limited company is formed by all shareholders. The shareholders' general meeting is the organ of authority of the company and shall exercise the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or replace the directors and supervisors (who are not staff representatives) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the supervisory committee or supervisors;
- to examine and approve the proposed annual financial budget and final accounts of the company;
- to examine and approve the company's proposals for profit distribution and recovery of losses;
- to decide on any increase or reduction of registered capital of the company;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution, liquidation or change of nature of the company;
- to amend the articles of association of the company; and
- other powers as provided for in the articles of association.

Shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the losses of the company which are not recovered reach one third of the total paid-in share capital of the company;
- when shareholders alone or in aggregate holding 10% or more of the total shares of the company request;
- whenever the board of directors deems necessary;
- when the supervisory committee so requests; or
- other circumstances as provided for in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the

supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety days consecutively may unilaterally convene and preside over such meeting.

To convene a shareholders' general meeting, a notice of the shareholders' general meeting stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders 15 days prior to the meeting. Notice of the meeting in connection with the issuance of bearer's shares stating the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Shareholders alone or in aggregate holding more than 3% of the total shares of the company may put forward a new proposal in writing to the board of directors 10 days prior to the shareholders' general meeting. The board of directors shall, within two days after receiving the new proposal, notify other shareholders thereof and submit such proposal to the shareholders' general meeting for consideration. The content of the proposal shall be within the scope of power of the shareholders' general meetings, including a clear subject and specific matters to be resolved. The shareholders' general meeting shall not decide on matters which are not within its scope of power.

Holders of bearer's share certificates who wish to attend the shareholders' general meeting shall deposit their share certificates with the company 5 days before the meeting, and such share certificates shall remain in the custody of the company until the close of the shareholders' general meeting.

Shareholders present at a shareholders' general meeting shall have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by shareholders present at the meeting, with the exception of the amendments to the articles of association, addition or reduction of registered capital, merger, division, dissolution or change of nature of the company, which must be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company must be approved by way of resolution of the shareholders' general meeting, the directors shall convene a shareholders' general meeting promptly to vote on the above matters.

The accumulative voting system may be adopted pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting for the election of directors and supervisors at the shareholders' general meeting. For the election of directors and supervisors at the shareholders' general meeting, each share shall be entitled to votes equivalent to the number of directors or supervisors to be elected and shareholders may consolidate their voting rights when casting a vote.

A shareholder may appoint proxy to attend the shareholders' general meeting and the proxy shall submit the form of proxy to the company and exercise the voting rights within the scope of authorization. Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the president of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A joint stock limited company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include staff representatives of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if reelected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a reelected director takes office, if reelection is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

The board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall perform his duties.

The board of directors shall be accountable to the shareholders' general meeting and exercises the following powers:

- to convene the shareholders' general meetings and report on its work at the shareholders' general meetings;
- to implement the resolutions passed in the shareholders' general meetings;
- to decide on the business plans and investment proposals of the company;
- to formulate the proposals of the annual financial budget and final accounts of the company;
- to formulate the proposals for profit distribution and recovery of losses of the company;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution or change of nature of the company;
- to decide on the internal management structure of the company;
- to appoint or dismiss the company's general manager and appoint or dismiss the deputy general managers and financial officers of the company based on the nomination of the general manager and to decide on their remuneration;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may

be convened by shareholders representing more than 10% of voting rights, more than one third of the directors or the supervisory committee. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. The board of directors may provide for a different method of giving notice and notice period for convening an interim board meeting.

Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be adopted with approval of more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors.

Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf. Minutes shall be prepared in respect of matters considered at the board meeting and the directors attending the meeting shall sign to endorse such minutes.

Directors shall be accountable to the resolutions of the board of directors. If a resolution of the board of directors violates the law, administrative regulations or the articles of association of the company, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Supervisory Committee

A joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, provided that the proportion of representatives of the company's staff shall not be less than one-third. The actual proportion shall be stipulated in the articles of association. Representatives of the company's staff and workers on the supervisory committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of supervisors shall convene and preside over supervisory committee meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if reelected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly reelected supervisor takes office, if reelection is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisor being less than the quorum.

The supervisory committee exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolution;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of these acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- to make proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management pursuant to Article 152 of the Company Law; and
- other powers specified in the articles of association.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. All expenses incurred by the supervisory committee to exercise their power shall be borne by the company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. Resolutions of the supervisory committee require the approval of more than half of all supervisors. Each director shall have one vote for resolutions to be approved by the board of supervisors. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and the supervisors attending the meeting shall sign to endorse such minutes.

Senior Management

Senior management shall mean the manager, deputy manager(s), financial controller, board secretaries of a listed company and other personnel as stipulated in the articles of association.

A joint stock limited company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the production, operation and administration of the company and arrange for the implementation of board resolutions;
- to arrange for the implementation of the company's annual business and investment plans;
- to formulate plans for the establishment of the company's internal management structure;
- to formulate the basic administration system of the company;
- to formulate the company's internal rules;

- to recommend the appointment or dismissal of deputy managers and any financial controller;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- other powers conferred by the board of directors.

Other provisions of the articles of association concerning the general manager's powers shall also be complied with. The general manager shall be in attendance at board meetings.

Eligibility and Obligations of Directors, Supervisors and Senior Management

The following persons may not serve as a director, supervisor or senior management of a company:

- persons without civil capacity or with restricted civil capacity;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of laws and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and
- persons who have a relatively large amount of debts due and outstanding.

The directors, supervisors and senior management shall comply with the laws, administrative regulations and the articles of association of the company and shall faithfully perform their due diligence obligations to the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

- misappropriation of company funds;
- deposit of company funds into accounts under their own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accepting for their own benefit commissions from other parties dealing with the company;
- unauthorized divulgence of confidential information of the company; or
- other acts in violation of their duty of loyalty to the company.

Any director, supervisor or senior management who violates any laws, administrative regulation or the articles of association of the company during the course of performing his duties and causes losses to the company shall be liable to compensate for any loss caused to the company. Where a director or senior management causes harm violates any provisions of the laws, administrative regulations or the articles of association of the company which undermines the shareholders' interests, the shareholders shall be entitled to commence proceedings with the People's Court.

Where the attendance of a director, supervisor or senior management is requested by the shareholders' meeting or shareholders' general meeting, such director, supervisor or senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management shall furnish with all truthfulness facts and information to the supervisory committee or the supervisor (for companies with limited liability that do not have supervisory committees) without obstructing the discharge of duties by the supervisory committee or the supervisors.

A company shall not directly, or through its subsidiary, provide loans to any director, supervisor or senior management and shall regularly disclose to shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting Systems and Profit Distribution

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each fiscal year prepare a financial report which shall be audited by an accountant as provided by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall deposit its financial statements at the company for inspection by the shareholders at least twenty days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits for the company's statutory common reserve fund, except where the fund has reached over 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocating such profits to the statutory common reserve fund in accordance with the

above provisions. After the company has made appropriations to the statutory common reserve fund from its after-tax profit, it may, with the approval of the shareholders' general meeting by way of resolution, make further appropriations from its after-tax profit to the discretionary common reserve fund.

After the joint stock limited company has made good on its losses and made allocations to its common reserve fund, the remaining after-tax profits shall be distributed in proportion to the number of shares held by the shareholders, except when the articles of association provide not to distribute in proportion to their shareholding. Profit distributed to shareholders by the shareholders' general meeting or the board of directors before losses have been made good and appropriations have been made to the statutory common reserve fund in violation of the foregoing provisions must be returned to the company. Company shares held by the company shall not be entitled to any distribution of profit.

The premium over the nominal value of the shares of a joint stock limited company on issue and other incomes required by the financial department of the State Council to be treated as the capital common reserve shall be accounted for as capital common reserve of the company. The common reserve shall be applied to make up the company's losses, expand the production and business operations of the company or increase the company's capital. Nonetheless, the capital common reserve shall not be used to make good the company's losses. Upon the conversion of statutory common reserve into capital, the balance of the common reserve shall not be less than 25% of the registered capital of the company before such conversion.

The appointment or dismissal of accountants responsible for the company's auditing shall be determined by the shareholders' general meeting or the board of directors in accordance with the articles of association. The accountant shall be allowed to make representations when the shareholders' meeting, the shareholders' general meeting or board of directors of the company is going to conduct a poll on the dismissal of the accountant. The company shall provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accountant engaged without any refusal, withholding and false information. The accountant's term of office shall commence from the end of the annual general meeting of the company and it shall expire on the end of the next annual general meeting of the company.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Merger and Division

The merger of a company may be conducted by way of absorption or consolidation. As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within forty five days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Dissolve and Liquidation

A company shall be dissolved by reason of the following:

- the term of its operations set down in the company's articles of association has expired or other events of dissolution specified in the company's articles of association have occurred;
- the shareholders' meeting or the shareholders' general meeting has resolved to dissolve the company;
- the company is dissolved by reason of its merger or demerger;
- the business license is invalidated; the company is closed down, or is dissolved as ordered; or
- the company is dissolved by the People's Court in response to the request of shareholders with shareholding representing more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation of the company experiences serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a source of significant losses for shareholders.

In the event of the first circumstance above, the company may carry on its existence by amending its articles of association. Where the company is dissolved in the first, second, fourth and fifth circumstances above, a liquidation committee shall be established and shall conduct liquidation within fifteen days after the occurrence of an event of dissolution. Members of the liquidation committee of a joint stock limited company shall be composed of its directors or the person approved by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court, requesting the court to appoint relevant personnel to form the liquidation committee. The People's Court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors or issue public notices;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the surplus assets of the company after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation committee shall notify the creditors within ten days after its establishment, and issue public notices in the newspapers within sixty days. A creditor shall lodge its claim with the liquidation committee within thirty days after receiving notification, or within forty-five days of the public notice if it did not receive any notification. A creditor shall state all matters relevant to its creditor rights in making its claim and furnish evidence. The liquidation committee shall register such creditor rights. The liquidation committee shall not make any settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' general meeting or People's Court for endorsement. The remaining assets of the company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debt shall be distributed to shareholders according to shareholding proportion in the case of joint stock limited companies. The company shall continue to exist during the liquidation period, although it shall not engage in any operating activities that are not related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment is made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the People's Court for a declaration for bankruptcy according to laws. Following such declaration, the liquidation committee shall hand over the affairs of the liquidation to the People's Court. Upon completion of the liquidation, the liquidation committee shall prepare and submit a liquidation report at the shareholders' general meeting or to the People's Court for verification. Thereafter, the report shall be submitted to the company's registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Securities Law and Regulations and Regulatory Regimes

In October 1992, the Securities Commission and the CSRC were established under the State Council. The Securities Commission is responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities affairs, planning the development of securities markets and guiding, coordinating and regulating all PRC institutions involved in securities affairs and supervising the CSRC. The CSRC is the regulatory and execution arm of the Securities Commission and is responsible for drafting regulations governing the securities market, supervising securities companies, regulating the domestic and overseas public issue of securities by PRC companies, supervising securities trading, compiling securities-related statistics and conducting research and analysis. In 1998, the State Council decided to cancel the Securities Commission of the State Council and the functions of the Securities Commission was assumed by the CSRC.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《關於股份有限公司境內上市外資股的規定》). These regulations regulate the issue, subscription, trading of domestic listed foreign shares, the distribution of dividends and the disclosure of information.

On December 29, 1998, the NPCSC promulgated the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "Securities Law") which came into effect on July 1, 1999. This

is the first national securities law in the PRC and is the fundamental law comprehensively regulating activities in the PRC securities market. On August 28, 2004 and October 27, 2005, the Securities Law was amended and revised respectively, and the latest revision came into effect on January 1, 2006. The Securities Law is applicable to the issuance and trading of shares, company bonds and other securities designated by the State Council in the PRC according to laws, and contains provisions of the issuance and transaction of securities, acquisitions of listed companies, and the duties and responsibilities of stock exchanges, security companies and CSRC.

Arbitration Law

According to the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) which was approved by the NPCSC on August 31, 1994 and came into effect on September 1, 1995, any disputes over contracts and other interests among citizens, legal persons and other organizations with equal status may be settled by arbitration. Both parties shall reach an arbitration agreement voluntarily in order to settle the dispute through arbitration. The arbitration commission shall not accept any application for arbitration from a single party without arbitration agreement. The People's Court shall not accept filing of suit from a single party with arbitration agreement, except for invalid arbitration agreement. The award of arbitration shall be final and conclusive. Neither the arbitration commission nor the People's Court shall accept any application of arbitration or filing of suit in relation to the same dispute once the award had been made. If the award is revoked or refused execution by the People's Court, the parties may apply for arbitration in accordance with a new mutual arbitration agreement or file a suit at the People's Court.

Pursuant to Hong Kong Listing Rules and Mandatory Provisions, the articles of association of a PRC company listed in Hong Kong shall contain provisions in relation to arbitration. Disputes in respect of business affairs and rights between overseas listed foreign shareholders and the company, overseas listed foreign shareholders and the directors, supervisors or senior management of the company, and overseas listed foreign shareholders and other shareholders, shall be settled by arbitration. Applicant may determine to refer the arbitration to China International Economic and Trade Arbitration Commission according to its arbitration rules or Hong Kong International Arbitration Centre according to its securities arbitration rules. Once the applicant refers a dispute or claim to arbitration, the other party must submit to the arbitral body determined by the applicant. If the applicant determines to arbitrate at Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of Hong Kong International Arbitration Centre.

According to the new Arbitration Rules of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) implemented on May 1, 2012, the China International Economic and Trade Arbitration Commission shall deal with disputes over contractual or noncontractual transactions, including disputes in Hong Kong, in accordance with the agreement of the parties. The arbitration commission was established in Beijing and branches and centres were set up in Shenzhen, Shanghai, Tianjin and Chongqing.

In the 18th meeting of the 6th NPCSC on December 2, 1986, China agreed to enter into the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") signed on June 10, 1958 at the United Nations conference on international commercial arbitration. According to the New York Convention, any party shall recognize and enforce arbitral

awards of other parties with certain reciprocity reservation. Upon entering into the convention, NPCSC stated that China only recognized and enforced arbitral awards from overseas on a mutual beneficial basis, and the New York Convention shall be applicable only to any dispute over contractual and noncontractual business laws under the laws of the PRC.

According to the Arrangement Concerning Mutual Enforcement of Arbitral Awards Between the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) which was promulgated by the Supreme People's Court on June 18, 1999 and came into effect on February 1, 2000, the Courts in Hong Kong agree to enforce any awards made by the arbitral authorities in the PRC pursuant to the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), while the People's Courts in the PRC agree to enforce any awards made pursuant to the Arbitration Ordinance of Hong Kong in Hong Kong.

Regulation on Overseas Investments

According to the Measures on Administration of Overseas Investments (《境外投資管理辦法》) which was enacted by the Ministry of Commerce on March 16, 2009 and came into effect on May 1, 2009, an enterprise shall obtain an approval from the relevant department of the Ministry of Commerce before making any overseas investment as regulated in the Measures. Upon such approval, any changes to the original application of such overseas investment shall be reported to the original approving authority for the application of approval of changes.

According to the Regulations on Administration of the Overseas Direct Investments of Domestic Institutions (《境內機構境外直接投資管理規定》) which was enacted by SAFE and came into effect on August 1, 2009, a PRC enterprise which obtained an approval for overseas investments shall register with the foreign exchange administrative authority for the foreign exchange used in such overseas investments.

According to the Provisional Measures on the Administration of Examination and Approval of Overseas Investment Projects (《境外投資項目核准暫行管理辦法》) which was enacted by NDRC and came into effect on October 9, 2004, overseas investment projects involving resource development or a large amount of foreign exchange shall be subject to the examination and approval of the NDRC or the State Council. Any changes to investors or shareholding of an approved project shall be subject to registration for amendment to the NDRC.

Regulation on Anti-money Laundering

The Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》) effective on January 1, 2007 provides for the duties of the relevant financial regulatory authorities in anti-money laundering, which includes monitoring the capital of anti-money laundering, formulating rules and regulations on anti-money laundering of the financial institutions, supervising and reviewing the fulfillment of anti-money laundering obligations by financial institutions and investigating suspicious transactions within the scope of responsibilities. Heads of financial institutions shall be responsible for the effective implementation of anti-money laundering internal control system. Financial institutions shall establish a client identification system and a system for keeping clients' identity information and transaction record, and report large-sum transactions and doubtful transactions according to applicable requirements.

According to the Provisions on Anti-money Laundering of Financial Institutions (《金融機構反洗錢規定》) which was enacted by the PBOC and came into effect on January 1, 2007, financial institutions and their branches shall establish comprehensive anti-money laundering internal control systems, an anti-money laundering department or designated internal department responsible for anti-money laundering pursuant to applicable laws. Anti-money laundering internal procedures and control measures shall be formulated. Specific training shall be offered to the staff in order to strengthen the anti-money laundering works.

According to the Measures on Administration of Identification of Clients and Preservation of Client Identities Information and Trading Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) which was jointly enacted by The People's Bank of China, China Banking Regulatory Commission, the CSRC and China Insurance Regulatory Commission and came into effect on August 1, 2007, financial institutions shall establish client identification systems, and shall record the identities of all clients and the information about each of the transactions, and shall preserve the retail trading documents and books.

According to the Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Doubtful Transactions (《金融機構大額交易和可疑交易報告管理辦法》) which was enacted by The People's Bank of China and came into effect on March 1, 2007, the headquarter of the financial institution or the department appointed by the headquarter, shall report to China Anti-money Laundering Monitoring and Analysis Center electronically after identifying large-sum transactions and doubtful transactions.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable in Hong Kong. As a joint stock limited liability company established in the PRC that is seeking a listing of H Shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all the rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between the Companies Ordinance applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited liability company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Companies Ordinance, a company with share capital is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the Company Law, a joint stock limited liability company may be incorporated by either the promotion method or the subscription method. A joint stock limited liability company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by the laws and regulations.

Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company. Under the Company Law, the monetary contributions by all the shareholders of a company must not be less than 30% of its registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital, therefore the authorized share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The Company Law does not recognize the concept of authorized share capital. The registered capital of a joint stock limited liability company is the same amount as the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant governmental and regulatory authorities in the PRC.

Under the Company Law, a company authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less RMB30 million. Hong Kong law does not prescribe minimum capital requirements for companies incorporated in Hong Kong.

Under the Company Law, the shares may be subscribed for in the form of money or nonmonetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For nonmonetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure that the assets are not over-valued or undervalued. The monetary contribution shall not be less than 30% of a joint stock limited liability company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares which are denominated and subscribed for in Renminbi may only be subscribed for or traded by the State, PRC legal and natural persons. Our overseas listed H Shares which are denominated in Renminbi and subscribed for in a currency other than Renminbi may only be subscribed for and traded by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC.

Under the Company Law, our promoters are not allowed to transfer the shares they hold for a period of one year after the date of establishment of our Company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the

company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by our Company and our controlling shareholder to the Hong Kong Stock Exchange described in the section entitled "Underwriting" in this prospectus.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited liability company or its subsidiaries from providing financial assistance for the purposes of acquiring its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance which are similar to those under Companies Ordinance.

Variation of Class Rights

The Company Law has no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variation of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled "Appendix V—Summary of the Articles of Association" to this prospectus. Under Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Our Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed Shares and Domestic Shares are defined in the Articles of Association as different classes of Shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) where our Company issues, upon the approval by special resolution of the Shareholders in general meeting, either separately or concurrently once every 12 months, not more than 20% of each of our existing issued domestic Shares or overseas-listed foreign-invested Shares; (ii) where our Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, our plan (made at the time of our establishment) to issue domestic Shares and overseas-listed foreign-invested Shares; and (iii) where the Company's unlisted shares may be converted into foreign shares for listing and trading on an overseas stock exchange, subject to the approval of the securities regulatory authorities of the State Council.

Directors

The Company Law, unlike Companies Ordinance, does not contain any requirements relating to the declaration of interests in material contracts, restrictions on interested directors being counted towards the quorum of and voting at a board meeting in which a transaction a director is interested in is being considered, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits such as loans to directors, and guarantees in respect of directors' liability and prohibition against compensation for loss of office without

shareholders' approval. The Mandatory Provisions, however, contain requirements and restrictions in relation to the foregoing matters similar to those applicable under Hong Kong law.

Supervisory Committee

Under the Company Law, the board of directors and managers of a joint stock limited liability company are subject to the supervision and inspection of a supervisory committee but there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act honestly and in good faith in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting thereby effectively preventing a company from suing its directors in breach of their duties in its own name. The Company Law provides shareholders of a joint stock limited liability company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions further provide remedies to the company against directors, supervisors and officers in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited liability company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This undertaking allows minority shareholders to take actions against the directors and supervisors of the company when they fail to perform their respective duties.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition a court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The Company Law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its

voting rights (i) in a manner prejudicial to the interests of the shareholders generally or of a portion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company, (ii) to approve the expropriation by a director or supervisor of the company's assets or (iii) to approve the deprivation by a director or supervisor of specific rights of other shareholders.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholders' general meeting must be given 20 days prior to the date of the meeting, while notice of an extraordinary meeting must be given 15 days before the date of the meeting or, in the case of a company with bearer shares, a public announcement of a shareholders' general meeting must be made 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and those shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a shareholders' meeting convened for passing an ordinary resolution or a special resolution are 14 days and 21 days, respectively; and the notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The Company Law does not specify any quorum requirement for shareholders' general meeting but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights in the company more than 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify shareholders by public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting, and a special resolution is passed by a majority of not less than three-quarters of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited liability company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

Financial Disclosure

A joint stock limited liability company is required under the Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statement of changes in financial position and other relevant annexures 20 days before an annual general meeting. In addition, a company established by the public subscription method under the Company

Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report which are to be presented before the company in its annual general meeting not less than 21 days before such meeting.

A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing accounts according to the PRC GAAP, have its accounts prepared and audited in accordance with IFRS or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside of the PRC. To the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports of the company. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to what is available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under both PRC and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years while under the PRC law it is two years. The Mandatory Provisions require the appointment of a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited liability company in respect of such foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to section 237 of the Companies Ordinance, or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under PRC law, merger, demerger, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Resolution

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through legal proceedings in the courts. The Mandatory Provisions provide

that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre (“HKIAC”) or the China International Economic and Trade Arbitration Commission (“CIETAC”), at the claimant’s choice.

Mandatory Transfers

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of a Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, and such infringement results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Mandatory Provisions, the Articles of Association set out remedies to the company similar to those available under Hong Kong law (including recovery of profits from a director, supervisor or officer).

Dividends

The articles of association of a company empower the company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Company Law and the Special Regulations, directors, supervisors, officers and managers owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year. The Company Law and the Mandatory Provisions provide that share transfers may not be registered within 30 days before the date of a shareholders’ meeting or within five days before the record date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements applicable to an issuer which is incorporated in the PRC as a joint stock limited liability company and seeks a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to our Company.

Compliance Advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results. The compliance advisor should provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be outside Hong Kong frequently.

Accountants' Report

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange. The company must notify the Hong Kong Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

Public Shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK\$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK\$10,000 million.

Independent Non-executive Directors and Supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that

the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the requisite character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on Purchase and Subscription of Its Own Securities

Subject to governmental approvals and the provisions of the Articles of Association, our Company may repurchase our own H shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, our Company is required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The Directors must also state the consequences (if any) of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which they are aware. Any general mandate given to the Directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in the appendix entitled “Appendix V—Summary of the Articles of Association” to this prospectus.

Redeemable Shares

Our Company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of the H Shares are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, the Directors are required to obtain the approval by a special resolution of Shareholders in a general meeting, and the approvals by special resolutions of the holders of Domestic Shares and H Shares (each being entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules, but only to the extent that the existing Shareholders of our Company have by special resolution in general meeting given a mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing Domestic Shares and H Shares as of the date of the passing of the relevant special resolution or of such Shares that are part of our plan at the time of our establishment to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the CSRC.

Supervisors

Our Company is required to adopt rules governing dealings by the Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

Our Company is required to obtain the approval of the Shareholders in a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to our Company or any of our subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or our subsidiaries: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration committee of our Company or an independent board committee must form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and the Shareholders as a whole and advise Shareholders on how to vote.

Amendment to the Articles of Association

Our Company is required not to permit or cause any amendment to be made to the Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Listing Rules relating to such Articles of Association.

Documents for Inspection

Our Company is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by Shareholders at reasonable charges of the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of our Company;
- our Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of our Company;
- reports showing the number and nominal value of securities repurchased by our Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares); and
- for Shareholders only, copies of minutes of meetings of Shareholders.

Receiving Agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in Share Certificates

Our Company is required to ensure that all of our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of our shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of the shares:

- agrees with our Company and each Shareholder of our Company, and our Company agrees with each Shareholder of our Company, to observe and comply with the Company Law, the Special Regulations and the Articles of Association;
- agrees with our Company, each Shareholder, Director, Supervisor, manager and officer of our Company, and our Company acting for itself and for each Director, Supervisor, manager and officer of our Company agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with our Company and each Shareholder of our Company that the H Shares in the share capital of our Company are freely transferable by the holder thereof; and
- authorizes our Company to enter into a contract on his behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligation to Shareholders as stipulated in the Articles of Association.

Legal Compliance

Our Company is required to observe and comply with the Company Law, the Special Regulations and the Articles of Association.

Contract between Our Company and Our Directors, Officers and Supervisors

Our Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to our Company to observe and comply with the Company Law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that our Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to our Company acting as agent for each Shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from any rights or obligations conferred or imposed by that contract, the Articles of Association, the Company Law or other relevant law and administrative regulations

concerning the affairs of our Company between our Company and the Directors or officers and between a holder of H Shares and a Director or officer of our Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its securities arbitration rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or officer with our Company on our own behalf and on behalf of each Shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

Subsequent Listing

Our Company must not apply for the listing of any of the H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by our Company to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the bases upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon the Listing, the provisions of the SFO, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to our Company.

SECURITIES ARBITRATION RULES

The Articles of Association provide that certain claims arising from the Articles of Association or the Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The securities arbitration rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purposes of the securities arbitration rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC LEGAL MATTERS

Grandall Law Firm (Beijing), our legal advisor on PRC law, has sent to us a legal opinion confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This legal opinion is available for inspection as referred to in the section entitled “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VII to this prospectus.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.