

IMPACT ON THE GROUP OF THE PRC'S ACCESSION TO WTO

After the PRC's accession to the WTO, import tax rate of certain raw materials of the Company will be lowered and production cost will be further reduced which will facilitate the Company's products and technologies entering into international markets. At the same time, the PRC's accession to the WTO will also intensify market competition of the Company's products. This is mainly due to the equal treatment to competitive foreign companies' products in entering into the PRC market and may affect the sale of Company's products.