



## EMPLOYEES' MEDICAL INSURANCE

Since 1 January 2003, the Group began to implement the basic medical insurance rules for staff in accordance with “the Implementing Project to Establish the Basic Medical Insurance Rules for the Urban and Rural Residents in Shandong Province”, under the management of the local governments, pursuant to which the basic medical insurance fund will be contributed by the enterprise concerned and its staff. The employees are required to pay medical insurance fees calculated as 2% of their average monthly wages of the previous year, and the Group is required to pay fees ranging between 6% and 8% according to the policies promulgated by the local governments where the enterprise is situated.

The Group anticipates that the implementation of those medical insurance rules will not have any significant impact on the business operation and financial position of the Group. Apart from the above contribution, the Group is not required to pay any other medical expenses for employees.