

## SHARE CAPITAL

As of the date of this Prospectus, the entire issued share capital of our Company can be categorized as follows:

	Number of Shares	Approximate percentage of issued share capital
Domestic Shares in issue .....	31,271,429,675	80.04%
Unlisted Foreign Shares in issue .....	7,798,633,541	19.96% <sup>(1)</sup>
	39,070,063,216	100.00%

(1) Among all of our Unlisted Foreign Shares in issue as of the date of this prospectus, HSBC held 7,774,942,580 shares, which represented approximately 19.90% of our total issued share capital, and Nam Kwong (Group) Co., Ltd. held 23,690,961 shares, which represented approximately 0.06% of our total issued share capital. The Unlisted Foreign Shares held by Nam Kwong (Group) Co., Ltd. will not be converted to H Shares and will be treated as Domestic Shares upon completion of our Global Offering.

Immediately following completion of the Global Offering, but assuming no exercise of the Over-allotment Option and no issue of any new Shares that may be issued under the HSBC Price Adjustment Top-Up, the share capital of our Company would be as follows:

	Number of Shares	Approximate percentage of issued share capital
Domestic Shares in issue .....	22,739,565,080	50.62%
H Shares offered under the Global Offering and converted from Domestic Shares .....	22,186,124,136	49.38
	44,925,689,216	100.00%

If the Over-allotment Option is exercised in full, and assuming no new Shares are issued under the HSBC Price Adjustment Top-Up, the share capital of our Company would be as follows:

	Number of Shares	Approximate percentage of issued share capital
Domestic Shares in issue .....	22,739,565,080	49.65%
H Shares offered under the Global Offering and converted from Domestic Shares .....	23,064,468,136	50.35
	45,804,033,216	100.00%

According to relevant PRC government requirements, shareholders who hold state-owned shares are generally required to sell their holdings in the amount of 10% of the offering in any public offering and remit the proceeds to the National Social Security Fund. However, such contribution to the National Social Security Fund is carried out primarily, but not solely, through selling existing state-owned shares. The shareholders of our Company who hold state-owned shares will make contributions to the National Social Security Fund by remitting dividends received from our Company instead of selling the state-owned shares. The proposal in which there will be no sale of state-owned shares in the Global Offering has been submitted to and approved by the MOF. Under this proposal and the relevant MOF approval, we plan to notify in due course all shareholders who hold state-owned shares, and request these shareholders to (i) undertake to the MOF that they will make contributions to the National Social Security Fund by remitting dividends received from our Company and (ii) entrust our Company to make these contributions on behalf of each of these shareholders when dividends are declared and distributed. Pursuant to the data available on the Pricing Date, we will calculate the amount for each shareholder who holds state-owned shares to contribute to the National Social Security Fund under the relevant PRC government requirements, and will remit such amount to the

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National Social Security Fund on behalf of the relevant shareholders each time we declare and distribute dividends until the contribution has been made in full. We do not expect this will have any impact on our dividend policy.

On April 29, 2005, the CSRC promulgated the Share Redesignation Notice which sets out procedures by which certain PRC companies selected by the CSRC that have shares listed on PRC stock exchanges may apply, on a pilot basis, for redesignation of their non-tradable shares as shares that are tradable on PRC stock exchanges. For any selected company, the holders of non-tradable shares may not, for period of 12 months from the date on which such shares become tradable, transfer the redesignated shares or trade such shares on the relevant stock exchange(s). In addition, after the expiry of the 12-month period, any person who holds 5% or more of non-tradable shares may not transfer more than 5% of the relevant company's total issued share capital in the following 12-month period and not more than 10% in aggregate in the following 24-month period if such holder trades these shares on the relevant stock exchange(s).

The Share Redesignation Notice applies to all PRC companies that have shares listed on PRC stock exchanges. However, it is not clear under the Share Redesignation Notice whether it applies to PRC companies whose shares are listed only on overseas stock exchanges, such as the Hong Kong Stock Exchange. Currently, four PRC companies have been selected to redesignate their non-tradeable shares pursuant to the Share Redesignation Notice and the shares of these four companies are listed only on PRC stock exchanges. The Company has confirmed that it has not been selected by the CSRC for the purposes of a pilot application of the Share Redesignation Notice.

The Company currently does not have any Shares listed on any PRC stock exchange. If and when the Company's Shares are listed on any PRC stock exchange, and if the Company intends to have any of its Shares redesignated from non-tradable to tradable Shares, the Company will have to apply to the CSRC to be selected as a company under the Share Redesignation Notice.

As a result of the foregoing and, due to the time and volume restrictions placed on the shareholders' ability to transfer and trade those redesignated shares, the Company has been advised by its PRC legal counsel, King & Wood, PRC Lawyers, that the Share Redesignation Notice currently does not have any significant impact on its financial condition and results of operations and will not have any significant impact on the listing, trading and price fluctuation of its H Shares on the Hong Kong Stock Exchange in the near future.

The Company does not have any intention to, nor have any of our shareholders who currently hold our non-tradable Shares expressed any intention to, redesignate their non-tradable Shares.

### **RANKING**

Domestic Shares, Unlisted Foreign Shares and H Shares are ordinary Shares in the share capital of our Company with the same rights and benefits. In addition, under our Articles of Association, all shareholders holding ordinary Shares of our Company, regardless of whether they are Domestic Shares, Unlisted Foreign Shares and H Shares, equally enjoy the rights and assume the obligations stipulated in our Articles of Association. However, H Shares may only be traded in Hong Kong dollars. Domestic Shares, by comparison, may only be traded in Renminbi. Unlisted Foreign Shares may only be subscribed for in a currency other than Renminbi, or for consideration consisting of the injection of assets, which may only be held by persons other than PRC nationals or PRC corporate entities and are not listed on any stock exchange. All dividends in respect of the H Shares are to be declared in Renminbi and paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares and Unlisted Foreign Shares are to be paid by us in Renminbi. As of the date of this prospectus, the only shareholder holding Unlisted Foreign Shares in our Company is Nam Kwong (Group) Co., Ltd., which held 23,690,961 Shares, representing approximately 0.06% of our total issued share capital. These Unlisted Foreign Shares will be treated as Domestic Shares upon completion of the Global Offering and as a result, Nam Kwong (Group) Co., Ltd. and its subsequent transferees will attend the class meeting for holders of Domestic Shares.

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A total of 10,638,128,701 of the existing Domestic Shares are held by the Promoter(s) as promoter shares (as defined in the PRC Company Law). The Domestic Shares are not admitted for listing on any stock exchange and no arrangement has been made for the Domestic Shares to be traded or dealt with on any other authorized trading facility in the PRC.

Except as described above and in relation to the dispatch of notices and financial reports to shareholders, dispute resolution, registration of Shares on different parts of the registers of shareholders, the method of Share transfer and the appointment of dividend receiving agents, which are all provided for in our Articles of Association and summarized in Appendix VIII to this prospectus, the Domestic Shares and the H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

We have given certain undertakings in respect of the issuance of Shares and other securities. See the paragraph headed "Undertakings" in the section headed "Underwriting" of this prospectus.