

This summary outlines certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation and foreign exchange in the PRC are discussed separately in Appendix VIII of this prospectus. This appendix also contains a summary of Hong Kong legal and regulatory provisions, including summaries of certain material differences between PRC and Hong Kong company laws, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers. The objective of this appendix is to provide investors with brief information concerning Chinese regulations applicable to our company.

CHINESE LEGAL AND REGULATORY PROVISIONS

Since we are an A share-listed company, the principal PRC company laws, regulations and regulatory provisions applicable to us include, without limitation, the following:

A. THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is primarily subject to the following three PRC laws and regulations:

- the PRC Company Law, which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993 and became effective on July 1, 1994, as amended on December 25, 1999, August 28, 2004 and October 27, 2005;
- the Special Regulations, which were passed by the State Council on August 4, 1994; and
- the Mandatory Provisions, which were jointly promulgated by the Securities Committee and the former State Restructuring Commission on August 27, 1994, and which a joint stock limited company seeking an overseas listing must incorporate into its articles of association.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions. References to a “company” are to a joint stock limited company established under the PRC Company Law with overseas-listed foreign-invested shares.

Incorporation

A “joint stock limited company” is a legal entity incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares owned by them and the company is liable to its creditors for an amount equal to the total value of its assets. A company may be incorporated by a minimum of two and a maximum of two hundred promoters, and at least half of the promoters must reside within the PRC.

Under the PRC Company Law, a company may invest in other enterprises pursuant to applicable laws and its articles of association.

The promoters shall convene an inaugural meeting within 30 days after relevant contributions have been fully paid up, and shall give notice to all subscribers of its shares or make an announcement

of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the share capital of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the board of supervisors of the company will be decided. Resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

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. A company is formally established, and has the status of a legal person, after the business license is issued by the relevant administrative bureau for industry and commerce. Companies established by the public subscription method shall file with the relevant administrative bureau for industry and commerce the approval from the relevant securities regulatory authority of the State Council.

If a company cannot be incorporated, the company's promoters shall be jointly and severally liable for (i) the payment of all expenses and liabilities incurred in the incorporation process and (ii) the repayment of subscription money to the subscribers, together with interest at the bank deposit rate of the same term. In addition, a promoter shall be liable for any damages suffered by the company resulted from the default of the promoter during the course of incorporation of the company.

Registered Capital

According to the PRC Company Law, where a joint stock limited company is established by promotion, its registered capital equals to the total capital stock subscribed by all promoters as registered in the company registration authority. The minimum amount of initial capital contributions to be made by all promoters shall be not less than 20% of the total registered capital, while the remaining amount shall be paid by the promoters within 2 years from the date that the company (except for investment holding companies) is established. The minimum registered capital of a joint stock limited company is RMB5,000,000.

The promoters may make capital contributions in cash or in kind, such as non-cash assets, industrial property rights, non-patented technology, land use rights or any other properties which could be legally transferred and be appraised in cash based on their appraised value. The amount of investment made in cash shall not be less than 30% of the registered capital of the company.

Allotment and Issue of Shares

Share issuance is based on the principle of equality and fairness. Each share of the same class must carry equal rights. For each share issue, the terms of allotment for individual shares, including the subscription price, must be identical to other shares of the same class. A company may issue shares at par value or at a premium, but may not issue shares below the par value.

A company must obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, upon approval of the CSRC, the company may agree, in the underwriting agreement with respect to an issue of overseas-listed foreign-invested shares, to retain not more than 15% of the aggregate number of overseas-listed foreign-invested shares proposed to be issued after accounting for the number of underwritten shares.

Registered or Bearer Shares

Shares issued to foreign investors and listed overseas must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Shares that are purchased by investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are known as “overseas-listed foreign-invested shares”. Shares that a company issues in China may be in registered or bearer form. However, all shares that a company issues to a promoter or legal person must be in registered form.

A company is required to maintain a register of shareholders for all shares issued in registered form. Information such as each shareholder’s particulars, number of shares held by each shareholder and the date on which each shareholder became a holder of the relevant shares is required to be entered into the register.

A company is also required to record the amount of bearer shares issued, the number assigned to each bearer share and the date of issuance of each bearer share.

Increase of Registered Capital

A company may increase its registered capital by issuing new shares. The following items relating to such issuance must be approved at the company’s shareholders’ general meeting:

- number and types of the new shares to be offered;
- offering price;
- commencing and ending date of the new offering; and
- number and types of new shares to be offered to existing shareholders.

If a company undertakes a public offering of shares as approved by the relevant securities regulatory authority of the State Council, it must publish a prospectus with financial statements and make a subscription book. After a company completes a subscription of new shares, it must register the increase in registered capital with the State Administration of Industry and Commerce and issue a public notice.

Reduction of Registered Capital

Subject to the minimum registered capital requirement, a company may reduce its registered share capital in accordance with the following procedures:

- it must prepare a current balance sheet and a list of its assets;
- the reduction of registered capital should be approved by the shareholders’ general meeting;
- once the resolution approving the reduction has been passed, it must inform its creditors of the reduction of registered capital within 10 days and publish an announcement of the reduction in a newspaper within 30 days;
- its creditors may, within the statutory prescribed time limit, require it to pay its debts or provide guarantees covering such debts;

- it must obtain necessary approvals from all relevant regulatory authorities; and
- it must register the reduction of registered capital with the State Administration of Industry and Commerce.

Repurchase of Shares

A company may only repurchase its shares (i) to reduce its registered capital, (ii) to merge with another company that holds its shares, (iii) to grant its shares to employees as an incentive or (iv) from those shareholders who vote against a resolution approving the company's merger or separation and afterwards require the company to repurchase their shares. The Mandatory Provisions stipulate that a company must act in accordance with its articles of association and that it must obtain necessary approvals from any relevant regulatory authorities. A company may repurchase its shares by making a general offer to its shareholders, by purchasing its shares on a stock exchange or by purchasing its shares through an off-market contract.

If the repurchase of shares is due to (i) above, the company is required to cancel the portion of its shares that have been repurchased within ten days. If the repurchase is due to (ii) or (iv) above, it is required to transfer or cancel the portion of its shares within six months. If the repurchase of shares is due to (iii) above, the shares bought back by the company shall not exceed 5% of its total issued shares and shall be transferred to employees within one year.

Transfer of Shares

Shares of a company may be transferred in accordance with applicable laws and regulations, such as the PRC Company Law, the PRC Securities Law and the Special Regulations.

The directors, supervisors and senior officers must declare to the company the shares held by them and the changes thereof. During their term in office, the shares transferred by any of them each year shall not exceed 25% of the total shares they hold. Any shares that are held by the aforesaid persons shall not be transferred within one year from the day when the shares are listed and traded on a stock exchange. After any of the aforesaid persons leaves his or her post, he or she shall not transfer any shares owned by him or her within half a year.

The PRC Company Law does not limit the shareholding percentage of an individual shareholder.

As required by the Mandatory Provisions, transfer of shares may not be entered in the register of shareholders within 30 days before the date of a shareholders' general meeting or within five days before the record date set for the purpose of a dividend distribution.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, shareholders are entitled to the following rights:

- to attend and vote in person or to appoint a proxy to attend and vote on his or her behalf at a shareholders' general meeting;

- to receive dividends and distributable benefits in other forms in proportion to his or her shareholding;
- to inspect the articles of association, minutes of shareholders' general meetings and financial reports, to submit proposals and to make inquiries relating to the company's operations;
- to transfer his or her shares in accordance with the applicable laws;
- to receive surplus assets of the company upon its dissolution in proportion to his or her shareholding; and
- to exercise any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include (i) to abide by the company's articles of association, (ii) to pay the subscription money for the shares subscribed for, (iii) to be liable for the company's debts and other liabilities to the extent of the amount of shares each shareholder subscribes and (iv) to comply with any of the shareholders' obligations specified in the company's articles of association.

Shareholders' General Meetings

Under the PRC Company Law, shareholders may exercise the following powers in a shareholders' general meeting:

- determine business policies and investment plans of the company;
- elect or remove directors or supervisors (except the representatives of the employees) and determine the remuneration of directors or supervisors;
- review and approve the reports of the board of directors and the board of supervisors;
- review and approve the proposed annual budget and final financial accounts;
- review and approve profit distribution plans and plans for recovery of losses;
- approve an increase or reduction of the registered capital;
- approve issuance of bonds;
- approve a merger, division, change of corporate form, dissolution or liquidation; and
- approve amendments to articles of association.

Shareholders' general meetings are divided into annual shareholders' general meetings and extraordinary shareholders' general meetings. Annual shareholders' general meetings must be held once every year. Under the PRC Company Law, a company's board of directors is required to convene an extraordinary shareholders' general meeting within two months after the occurrence of any of the following circumstances:

- the number of directors on the board of directors is less than the number required under the PRC Company Law or two-thirds of the number required under the articles of association of the company;
- the amount of the accumulated losses of a company reaches one-third of its total paid-in share capital;

- upon a request by shareholder(s) who own(s) in aggregate not less than 10% of the company's shares;
- the board of directors considers such a meeting necessary;
- the board of supervisors proposes such a meeting; or
- under any other circumstances as specified in the articles of association.

A shareholders' general meeting is convened by the board of directors and presided by the chairman of the board. Under the Special Regulations and the Mandatory Provisions, a company is required to give 45 days' prior notice of a shareholders' general meeting and this notice must specify the matters to be considered and the date and place of the meeting. For domestic shareholders, a company may make a public announcement of the shareholders' general meeting at the period from 45 to 50 days prior to the proposed meeting date. Under the Special Regulations and the Mandatory Provisions, shareholders who plan to attend a shareholders' general meeting are required to provide the company with a written confirmation of their intentions 20 days prior to the meeting. Shareholders holding 3% or more of the total shares are entitled, under the PRC Company Law, to submit resolutions to be considered at a shareholders' general meeting.

The Special Regulations and the Mandatory Provisions provide that a shareholders' general meeting of a company may be held if shareholders holding 50% or more of the voting rights of the company's shares have confirmed in writing 20 days prior to the proposed date of the meeting that they intend to attend the meeting. If this 50% minimum is not attained, a shareholders' general meeting may only be held if, within five days after the deadline for confirming attendance, the company makes a public announcement of the matters to be considered and the date and place of the shareholders' general meeting.

Each shareholder present at a shareholders' general meeting is entitled to one vote for each share held. A shareholder may appoint a proxy to attend and vote on his or her behalf at a shareholders' general meeting. Ordinary resolutions proposed at a shareholders' general meeting generally may only be passed by the affirmative votes by more than half of the votes cast by shareholders present in person or by proxy. However, two-thirds or more of the votes cast by shareholders present in person or by proxy is required to pass any special resolutions, which include:

- amendments to the articles of association;
- a merger, division or dissolution;
- an increase or reduction of the registered capital or the issue of any class of shares, bonds and other securities; and
- other matters which the shareholders' general meeting has decided by an ordinary resolution as having a potentially material effect on the company and should be approved by a special resolution.

In the event of a variation or abrogation of the rights of a particular class of shareholders, the Mandatory Provisions require a company to hold a special class meeting. Holders of a company's domestic shares and holders of the company's H shares are deemed to be different classes of shareholders.

Board

A company shall have a board of directors, which shall consist of 5 to 19 members. Under the PRC Company Law, the term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected. Under the PRC Company Law, the board of directors may exercise the following powers:

- convene shareholders' general meetings and report to the shareholders;
- implement resolutions passed by shareholders' general meetings;
- decide on the business plans and investment plans;
- formulate proposed annual budgets and final financial accounts;
- formulate profit distribution plans and plans for recovery of losses;
- formulate plans for a merger, demerger, change of corporate form or dissolution;
- formulate plans for the increase or decrease of the registered capital or plans for the issuance of bonds;
- decide on the company's internal management structure;
- appoint or dismiss managers, and at the recommendation of a manager, employ or dismiss deputy managers and a chief financial officer and to fix their remuneration; and
- decide on the company's basic management system.

In addition, the Mandatory Provisions provide that the board of a company is also responsible for formulating proposals for amending its articles of association.

Board Meetings

Under PRC Company Law, the board of a company is required to hold regular meetings at least twice every year. Notice of the regular board meetings shall be given at least 10 days before the date of the meeting. The board may determine the notice period and manner for holding extraordinary board meetings.

Under PRC Company Law, more than half of the directors must be present to convene a meeting. A director may attend a board meeting personally or may appoint another director to attend on his behalf. All board resolutions must be passed by the affirmative votes of more than half of the directors. All resolutions passed at a board meeting must be recorded in the minutes of the relevant meeting and the minutes must be signed by the directors in attendance at the meeting. If a board resolution contravenes any applicable laws or regulations, the articles of association, or resolutions of shareholders' general meetings, and results in substantial damages to the company, the directors who participated in passing the resolution (except those who voted against the resolution and whose dissenting vote was recorded in the relevant minutes) are personally liable to the company.

Chairman of the Board

The chairman is elected by a vote of the board and must be approved by more than half of the directors. The chairman may exercise the following powers:

- preside over shareholders' general meetings and convene and preside over board meetings; and
- examine the implementation of resolutions of the board.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to bear civil liabilities;
- a person who has been convicted of an offence relating to bribery, corruption, appropriation of property, or the destruction of social economic order, where less than five years have elapsed since the date of completion of the sentence;
- a person who has been deprived of his political rights due to any crime, where less than five years have elapsed since the completion of such deprivation;
- a person who is a director, factory manager or manager of a company or enterprise that has become bankrupt and has been liquidated, and who is personally liable for the bankruptcy or liquidation of such company or enterprise, where less than three years have elapsed since the date that the liquidation of such company or enterprise has been completed;
- a person who has been a legal representative of an enterprise that has had its business license revoked because of unlawful operations and who is personally responsible for such revocation, where less than three years have elapsed since the date of such revocation; or
- a person who is in default of a relatively large amount of debt.

Board of Supervisors

A company is required to establish a board of supervisors consisting of at least three members. The board of supervisors is responsible for the following matters:

- examining the financial affairs of the company;
- supervising directors and senior officers to ensure that they carry out their duties in compliance with the relevant laws and regulations and the articles of association;
- requiring directors and senior officers to rectify any action which adversely affects the company's interests;
- proposing the convening of extraordinary shareholders' general meetings;
- submitting proposals to the shareholders' general meetings;
- filing lawsuits against the directors or senior officers whose acts are in violation of laws, regulations or the articles of association; and
- carrying out other duties as specified in the articles of association.

Members of the board of supervisors include representatives elected by the company's employees and representatives elected by its shareholders in a general meeting. A director or senior officer may not serve as a supervisor. The term of office for supervisors is three years and a supervisor may serve consecutive terms if re-elected. The circumstances under which a person is disqualified from acting as a director under the PRC Company Law and the Mandatory Provisions also apply to a supervisor.

General Manager and Officers

Companies are required to have a general manager who is appointed, and may be removed, by the board. A company's general manager is accountable to the board and may exercise the following powers:

- supervise and manage the company's business operations, and implement resolutions of the board;
- organize the implementation of the company's annual business and investment plans;
- draft plans for the establishment of the company's internal management structure;
- formulate the company's basic management system;
- formulate the company's internal rules;
- recommend the appointment and dismissal of deputy and the chief financial officer and appoint or dismiss other officers (other than those required to be appointed or dismissed by the board); and
- exercise other powers conferred by the board or the articles of association.

The circumstances under which a person is disqualified from acting as a director under the PRC Company Law and the Mandatory Provisions also apply to the general manager and other senior officers.

The articles of association of a company shall have binding effect on the company, shareholders, directors, supervisors, general manager and other executives of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and initiate legal proceedings according to the articles of association of the company.

Duties of Directors, Supervisors and Senior Officers

A company's directors, supervisors, general manager and senior officers are required under the PRC Company Law to comply with the relevant laws and regulations, to comply with the articles of association, and to bear duty of loyalty and duty of care to the company. The Special Regulations and the Mandatory Provisions provide that the directors, supervisors, general manager and senior officers owe a fiduciary duty to the company, and require them to perform their duties faithfully, protect the corporate interests and to not abuse their positions for personal gain. A company's directors, supervisors, general manager and senior officers are also under a duty of confidentiality and are prohibited from divulging certain information unless required by the applicable laws or regulations or by the shareholders.

If a company's director, supervisor, general manager or senior officer contravenes any law, regulation or the company's articles of association in the performance of his or her duties and such contravention results in losses to the company, the respective individual will be held personally liable to the company for such losses.

Finance and Accounting

A company is required to establish a financial and accounting system that complies with the relevant laws and regulations as well as rules stipulated by the financial regulatory authority of the State Council.

A company is also required to prepare financial reports at the end of each fiscal year. A company is required to make its financial reports available for inspection by its shareholders at least 20 days prior to its annual shareholders' general meeting. A company must also publish its financial statements by public announcement.

A company is required by the applicable PRC law and regulations to make the following transfers from its after-tax profit before it distributes any profit to its shareholders:

- 10% of after-tax profit must be transferred to the statutory common reserve fund, provided that no transfer is required if the accumulated statutory common reserve fund reaches 50% of the company's registered capital;
- subject to the company's shareholders' approval in a shareholders' general meeting and after transfer of the requisite amount to the statutory common reserve fund, a discretionary amount from its after-tax profit may be transferred to the discretionary common reserve.

If the amount in the statutory common reserve fund is insufficient to replenish the accumulated losses from the previous years, the profits of a company in the current year must be applied to cover such losses before making allocations to the statutory common reserve fund.

Any balance of the after-tax profit after replenishment of the accumulated losses, if any, and transfers to the statutory and discretionary common reserves may be distributed to the shareholders in proportion to their respective shareholdings unless specified otherwise in the articles of association.

A company's common reserves consist of the statutory common reserve fund, discretionary common reserve fund and capital common reserve fund. The capital common reserve fund consists of the premium over the nominal value of shares and other amounts required by the relevant financial regulatory authority of the State Council.

The common reserves can only be used for the following purposes:

- to make up for any losses;
- to expand business operations; and
- to increase the share capital, provided that if the statutory common reserve is converted into registered capital, the balance of the statutory common reserve after such conversion may not be less than 25% of the registered capital before the conversion.

Appointment and Termination of Auditors

The Special Regulations require companies to employ an independent and qualified accountant firm to audit a company's annual financial statements and review certain other financial reports.

If a company terminates or fails to renew the appointment of its existing auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in a shareholders' general meeting. If the auditors resign, they are obligated to make a statement to the shareholders stating whether or not the company has committed any inappropriate activity. The appointment, termination or non-renewal of appointment of auditors shall be decided by the shareholders and such decisions must be filed with the CSRC.

Distribution of Profits

The Special Regulations provide that dividends and other distributions payable to holders of H shares must be declared and calculated in Renminbi and paid in a foreign currency. Under the Mandatory Provisions, the payment of dividends and other distributions in foreign currency to these shareholders must be made through a receiving agent appointed by the company for holders of H shares.

Amendments to Articles of Association

The articles of association of a company may only be amended by an affirmative vote of shareholders representing two-thirds or more of the voting shares present at a shareholders' general meeting. If an amendment to the articles of association changes the information contained in its registration in the administrative bureau for industry and commerce, the company must register such changes.

Merger and Division

All mergers and divisions must be approved by the shareholders of a company in a general meeting. A company may also need to seek government approval for a merger or division. Under PRC law, a merger may be effected either by the acquiror absorbing the target followed by the dissolution of the target or by the establishment of a new entity through the combination of the acquiror and target followed by the dissolution of the acquiror and target.

If a company's shareholders approve a proposed merger in a general meeting, the company is required to sign a merger agreement and to prepare its balance sheet and an inventory of assets. The company must notify its creditors of the merger within 10 days and publicly announce the merger in newspapers within 30 days after the resolution approving the merger has been passed. The creditors are allowed, within a certain time period, to request the company to repay any outstanding indebtedness or provide guarantees covering such indebtedness.

In the case of a division, a company is likewise required to prepare its balance sheet and an inventory of assets and to notify its creditors.

Dissolution and Liquidation

Under the PRC Company Law and Mandatory Provisions, a company will be dissolved and liquidated if any of the following events occurs:

- (i) the term of operations as stipulated in the articles of association has expired, or any other event in the articles of association which specifically triggers dissolution has occurred;
- (ii) a shareholders' general meeting approves the dissolution by a special resolution;
- (iii) a merger or division that requires the dissolution of the company or division has occurred;
- (iv) the company has been ordered to close down as a result of violations of laws or administrative regulations; or
- (v) the company experiences certain serious difficulty in the operations or management and the interests of its shareholders will suffer heavy losses if it continues to exist and such difficulty cannot be resolved by any other means.

If a company is being dissolved under the circumstances referred to in (i), (ii), (iv) and (v) above, within 15 days of the occurrence of the event, the company shall appoint the members of a liquidation committee at a shareholders' general meeting. If the liquidation committee is not established within the specified time, the company's creditors may apply to the people's court to appoint the members of the liquidation committee to perform the liquidation.

After its establishment, a liquidation committee is required to notify the creditors of the company being dissolved within 10 days and issue a public announcement of the company's dissolution on a newspaper within 60 days. A creditor is required to lodge its claim with the liquidation committee within a statutory time limit.

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

- sort out the company's assets and prepare a balance sheet and an inventory of the assets;
- notify creditors or issue public notices;
- settle any unfinished businesses of the company;
- pay all outstanding taxes and taxes arising from the liquidation proceedings;
- settle the company's credits and liabilities;
- dispose of the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

In the event of a dissolution, assets of the company will be applied to pay all expenses incurred in connection with the liquidation, employee wages, employees' insurance and statutory compensation, overdue tax and general indebtedness. Any surplus assets will be distributed to its shareholders in proportion to their respective shareholdings. If a company's assets are insufficient to repay or discharge its indebtedness, the liquidation committee will petition the people's court for a declaration of insolvency and will transfer the liquidation proceedings to the people's court.

If a company is involved in liquidation proceedings, it will not be allowed to engage in any business operations which are not related to liquidation.

Upon completion of the liquidation process, the liquidation committee is required to submit a liquidation report to the company's shareholders' general meeting or to the people's court for confirmation. The liquidation committee is also required to apply to the administrative bureau for industry and commerce for the cancellation of the registration and to make a public announcement of the dissolution following such cancellation.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with the applicable laws. A member of the liquidation committee is liable to the company and its creditors in respect of any loss arising from his or her willful or material breach of duty.

Overseas Listing

A company must obtain the approval of the CSRC to list its shares overseas. An overseas listing must comply with the Special Regulations.

Loss of Share Certificates

Under the PRC Company Law, if a share certificate in registered form is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After obtaining the declaration, the shareholder may apply to the company for a replacement certificate.

B. Shanghai Stock Exchange and Shanghai Listing Rules (Amended 2006)

The SHSE was founded on November 26, 1990 and commenced operations on December 19, 1990. It is a non-profit membership institution directly regulated by the CSRC. The SHSE has various functions: providing a marketplace and facilities for securities trading; formulating stock exchange business rules; accepting and arranging listings; organizing and monitoring securities trading; regulating members and listed companies; and managing and disseminating market information.

On May 18, 2006, the SHSE issued the Shanghai Listing Rules (Amended 2006), the main purposes of which are to standardize the listing of stocks, convertible bonds and other derivatives, establish information disclosure requirements for listed companies and other related obligors, maintain order in the securities market and protect the legal rights and interests of investors and securities issuers. The principal provisions of the Shanghai Listing Rules are summarized as follows:

Information Disclosure Requirements

Listed companies shall disclose objectively and on a timely basis all information that may have a material impact on the price of their shares or derivative products, and ensure that the disclosed information is true, accurate and complete, without any false and/or materially misleading statement or material omission. The information is disclosed through periodic reports and ad hoc reports. A listed company shall timely complete and publish its annual report, semiannual report and quarterly report. In addition, a listed company shall file ad hoc reports relating to certain matters, including, without limitation:

- (i) resolutions passed by the board of directors, board of supervisors and shareholders at shareholders' general meetings;

- (ii) transactions required to be disclosed;
- (iii) connected transactions; and
- (iv) other material events.

Suspension and Resumption of Trading

Listed companies may, based on the grounds specified by the Shanghai Listing Rules or under circumstances that the SHSE considers reasonable, apply for suspension or resumption of trading of the company's stock or its derivatives. The SHSE decides on such an application based on the facts and circumstances of each case and the requirements of the CSRC.

Special Treatment

When there are unusual developments in the financial situation or other circumstances of a listed company that may subject the company's stock to a possible termination of listing or that makes it so difficult for the investors to determine the prospects of the company that their interests may be harmed, the SHSE will subject the trading of such company's stock to special treatment.

Suspension, Resumption and Termination of Listing

The SHSE has discretion whether or not to suspend, resume and terminate listing of a listed company's stock.

It may suspend listing of a listed company's stock when any one of the following circumstances arises:

- (i) the most recent annual audited report indicates that a listed company has continued suffering losses after it was issued a suspension warning;
- (ii) a listed company has not corrected its financial statements in accordance with the SHSE request within two months after it was issued a suspension warning;
- (iii) a listed company fails to publish its annual report or semiannual report within two months after it was issued a suspension warning;
- (iv) the total number of its equity shares and their distribution have changed so that a listed company no longer satisfies the listing requirements;
- (v) a listed company committed a major breach of law; or
- (vi) any other events recognized by the SHSE.

When a suspension has occurred as a result of (i) above, if a company publishes within the statutory prescribed period its most recent audited annual financial statements showing that the company has generated profits, the company may apply for resumption of listing within five business days following the date of such publication. The company shall employ an institution as a sponsor for the resumption of listing. The SHSE shall make a decision on whether or not to approve the application within 30 business days following the date that the application is accepted. When a suspension has occurred as a result of (ii) above, if the company publishes its restated financial statements within two months of the suspension, it may apply for resumption within five business days following the date of such publication. The SHSE shall make a decision on whether or not to approve the application within

15 business days following the date of application. When a suspension has occurred as a result of (iii) above, the company may apply for resumption within five business days following the date of such publication, if the company publishes its annual report or semiannual report within two months of the suspension. The SHSE shall make a decision on whether or not to approve the application within 15 business days following the date of application.

The SHSE may terminate a company's listing in certain other specific circumstances described in the Shanghai Listing Rules.

Information Disclosure for SHSE-listed Companies with Stocks Listed Overseas

A SHSE-listed company with its stocks simultaneously listed on an overseas stock exchange, shall report to the SHSE the information that is required to be disclosed by the overseas stock exchange. Following examination and approval by the SHSE, such information must be published in the PRC at the same time.

Penalties

The SHSE may, depending on the severity of the violations of the Shanghai Listing Rules, impose penalties upon listed companies, their directors, supervisors, board secretaries or listing sponsors for such violations.

C. Other Regulatory Provisions

The Provisional Regulations Concerning the Issuance and Trading of Shares (promulgated and effective on April 22, 1993) set forth the application and approval procedures for public offerings of equity securities, trading in equity securities, acquisition of listed companies, deposit, settlement and transfer of listed equity securities, information disclosure of listed companies, investigations, penalties, and dispute settlement.

The Implementation Measures on Information Disclosure of Public Listed Companies (Provisional) (promulgated and effective on June 12, 1993,) provide that the CSRC is responsible for supervising the disclosure of information by joint stock companies which have offered shares to the public. The measures contain provisions regarding prospectuses and listing reports to be issued in connection with public offerings of shares in the PRC, publication of interim and annual reports, and announcement of material transactions or matters involving such joint stock companies.

The Provisional Measures Prohibiting Fraudulent Conduct Relating to Securities (promulgated and effective on September 2, 1993) prohibit the use of insider information in connection with the issuing of or trading in securities; creating a false or disorderly market or influencing the market price of securities through manipulative practices; inducing investors to make investment decisions without knowledge of material information; or making any false or materially misleading statement or making any statement containing a material omission in connection with the issuance of, or trading in, securities.

The Regulations of the State Council Concerning the Domestically Listed Foreign Capital Shares of Joint Stock Limited Companies (promulgated and effective on December 25, 1995,) regulate the issuance, subscription and trading of domestically-listed foreign capital shares, declaration of

dividends and other distributions, and disclosure of information of joint stock limited companies having domestically-listed foreign capital shares.

The Securities Law of the PRC (promulgated on December 29, 1998 and effective on July 1, 1999) is the basic law regulating comprehensively the issuance of and trading in the PRC stocks, corporate bonds and other securities designated by the State Council. It was amended on August 8, 2004 and October 27, 2005.

The Opinions on Improving Proper Disclosure of Information of Companies Listed Overseas (promulgated and effective on March 26, 1999) prescribe certain requirements to ensure proper disclosure of information by companies listed overseas and emphasize the importance of disclosing material matters and connected transactions. Companies listed overseas shall strictly adhere to the relevant information disclosure requirements of the relevant regulatory authorities both inside and outside of the PRC.

The Opinions on Further Promoting the Standardization of Operations and Strengthening the Reform of Companies Listed Overseas (promulgated and effective on March 29, 1999) are aimed at regulating the internal operations and management of the PRC companies listed overseas. Our company will be subject to the Opinions upon the listing of our H Shares on the Hong Kong Stock Exchange. The Opinions regulate, among others, the appointment of external directors and independent directors on the board of directors and external supervisors on the board of supervisors, and the responsibilities of such directors and supervisors.

The Notice on Relevant Issues Concerning Application for Overseas Listing by Companies (promulgated and effective on July 14, 1999) sets out the requirements to be satisfied by PRC companies seeking overseas listing, the approval procedures and the documents to be submitted for approval.

The Administrative Measures on the Issuance of Stocks by Listed Companies (promulgated on May 7, 2006 and effective on May 8, 2006) contain details in relation to the conditions and procedures for public issuance of securities, including stocks, convertible bonds and other securities recognized by the CSRC, and non-public issuance of stocks. The measures also set forth information disclosure requirement, supervision procedures and penalties on non-compliance.

HONG KONG LEGAL AND REGULATORY PROVISIONS

A. Hong Kong Company Law and Its Comparison with the Chinese Law Applicable to a Joint Stock Limited Company Incorporated under the PRC Company Law

The Hong Kong law applicable to a company having share capital incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by the common law. We, being a joint stock limited company established in the PRC seeking a listing, are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law applicable to a joint stock limited company established in the PRC issuing overseas-listed foreign shares to be listed on the Hong Kong Stock Exchange.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint

stock limited company established and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. The articles of association of a private company incorporated in Hong Kong are required by the Companies Ordinance to contain certain pre-emptive provisions. A public company does not contain such pre-emptive provisions in its articles of association.

Under the PRC Company Law, a company may be incorporated by either the promotion method or the subscription method. A company must have a minimum registered capital of RMB5 million, or higher 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 PRC Company Law, the monetary contributions by all the shareholders must not be less than 30% of the 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. For a Hong Kong company, 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 PRC Company Law does not recognize the concept of authorized share capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in the registered capital must be approved by two-thirds or more of the votes cast by the shareholders at a shareholders' general meeting and by the relevant PRC governmental and regulatory authorities if applicable.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, the PRC-listed domestic shares in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by PRC legal or natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. The overseas-listed foreign shares issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi may only be subscribed and traded by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC or qualified securities management institutions of the PRC. Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the day when the shares are listed and traded on the stock exchange. Shares in a joint stock limited company held by its directors, supervisors and senior managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company. Moreover, the shares they held in the company cannot be transferred within one year from the listing date of the shares, or within six months after such personnel leave the post. 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.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

Variation of Class Rights

Under Hong Kong company law, if the share capital of a company is divided into different classes of shares, special rights attaching to any class of shares may only be varied if approved by a specified proportion of the holders of the relevant class. The PRC Company Law does not contain any specific provision relating to variation of class rights. Under the Mandatory Provisions, class rights may not be varied or abrogated unless approved by a special resolution of shareholders in shareholders' general meeting and by two-thirds or more of the votes cast by shareholders of the affected class present in person or by proxy at a separate class meeting. For the purpose of a variation of class rights, domestic shares and foreign shares are treated as separate classes of shares except in the case of (i) an issue of shares by the joint stock limited company in any 12-month period either separately or concurrently following the approval by a special resolution of shareholders in shareholders' general meeting not exceeding 20% of each of the issued domestic shares and foreign shares existing as at the date of such special resolution; and (ii) an issue of domestic shares and foreign shares in accordance with the plan of the company approved by the securities authority and which are completed within 15 months following the establishment of the company. The Mandatory Provisions contain detailed provisions relating to circumstances which are deemed to constitute a variation of class rights.

Directors

The PRC Company Law, unlike Hong Kong company law, 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 meeting of the Board of Directors at which a transaction in which a director is interested 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.

Board of Supervisors

Under the PRC Company Law, the board of directors of a joint stock limited company is subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors 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 in good faith

and honestly 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 all shareholders against directors who have been guilty of a breach of their fiduciary duties to the company, if the directors control a majority of votes at a shareholders' general meeting thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company who, individually or jointly, hold more than 1% of the shares in the company for more than 180 days consecutively the right to request the board of supervisors in writing to initiate proceedings in the people's court in the event that the directors and senior managers violate their fiduciary obligations to a company. In the event that the supervisor violates its fiduciary obligation to a company, the above said shareholders may request the board of directors in writing to initiate proceedings in the people's court. If the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request in writing from the shareholders, or if under urgent situations, the failure to initiate a proceeding immediately may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company, have the right to initiate proceedings directly in the court in their own name. The Mandatory Provisions further provide remedies to the company against directors, supervisors and officers who breach their duties to the company. In addition, every director and supervisor of a joint stock limited 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 allows minority shareholders to act against directors and supervisors in default.

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 to 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 PRC 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 in a manner prejudicial to the interests of the shareholders generally or of some of the shareholders of a company to relieve a director or supervisor of his or her duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days while notice of a shareholders' extraordinary meeting must be given not less than 15 days before the meeting or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 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 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' general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively; and the notice period for an annual shareholders' general meeting is 21 days.

Quorum for Shareholders' General Meetings

Under Hong Kong company law, any two shareholders present in person will constitute a quorum for a shareholders' general meeting, except for single-shareholder companies and unless the articles of association provide otherwise. The PRC 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 shareholders' general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% or more of the voting rights in the company at least 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 shareholders' general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a shareholders' general meeting. Under the PRC Company Law, the passing of any resolution requires one half or more 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 decrease registered capital merger, separation, dissolution or change of corporate form of a joint stock limited company which requires two-thirds or more of votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Financial Disclosure

A joint stock limited company is required under the PRC Company Law to make its financial report available for inspection by shareholders at its office 20 days before the annual shareholders' general meeting. In addition, a listing company under the PRC Company Law must publish its financial statements. 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 laid before the company in its annual shareholders' general meeting not less than 21 days before such meeting.

A joint stock limited company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Financial Reporting Standards 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 accounting standards.

The Special Regulations require that there shall not be any inconsistency between the information disclosed within and outside the PRC and that, 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 shall also be disclosed simultaneously.

Information on Directors and Shareholders

Under the PRC Company Law, the shareholders of a joint stock limited company have access to information on its articles of association and the register of shareholders. Under the Mandatory Provisions, shareholders have the right to inspect and copy (at reasonable charges) certain information about shareholders and directors similar to that available under Hong Kong law to shareholders of a company incorporated in Hong Kong.

Receiving Agent

Under both the 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 that under the PRC law 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 receiving agent to receive, on behalf of holders, foreign shares dividends declared and all other monies owed by a joint stock limited 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 being wound up voluntarily 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 the PRC law, the merger or separation of a joint stock limited company has to be approved by shareholders in a shareholders' general meeting and by the relevant governmental authorities if applicable.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration, at the claimant's discretion, to either the HKIAC or the CIETAC for resolution 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 purpose 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.

Mandatory Transfers

Under the PRC Company Law, a joint stock company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve. There are no such requirements under Hong Kong law.

B. Hong Kong Listing Rules

The Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited 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 the Company:

Compliance advisor

The Company is required to retain for at least one year following listing, or such shorter period as the Hong Kong Stock Exchange may in its absolute discretion permit, the services of a compliance advisor which is acceptable to the Hong Kong Stock Exchange, to provide us with professional advice on continuous compliance with the Hong Kong Listing Rules, and to act at all times, in addition to our two authorized representatives, as our 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 us 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 Hong Kong 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 frequently outside Hong Kong.

Accountants' Report

An accountant's report for a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited based on a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong or international accounting standards.

Process Agent

The 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 and must notify the Hong Kong Stock Exchange of his or her appointment, the termination of his or her appointment and his or her contact particulars.

Public Shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares, such as the H shares, which are listed on the Hong Kong Stock Exchange, the Hong Kong 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 such listing is sought must not be less than 15% of the issuer's total issued share capital for issuers having an expected market capitalization at the time of listing of not less than HK\$50,000,000.

The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK\$10,000,000,000.

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 character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on Purchase of its Own Securities

Subject to governmental approvals and the provisions of the articles of association, the Company may repurchase its own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by 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, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which the directors are aware, if any. Any general mandate given to the directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares of the Company.

Redeemable Shares

The Company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of 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 shareholders' general meeting, and the approvals by special resolutions of the holders of domestic shares and H Shares (each being otherwise entitled to vote at shareholders' general meetings) at separate class meetings conducted in accordance with the articles of association prior to (i) 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;

or (ii) any major subsidiary of the Company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the Company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that the existing shareholders of the Company have by a special resolution in a shareholders' 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 at the date of the passing of the relevant special resolution.

Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its articles of association which would cause the same to cease to comply with the mandatory provisions of the Hong Kong Listing Rules relating to such articles of association.

Documents for Inspection

The 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 the following:

- (i) a complete duplicate register of shareholders;
- (ii) a report showing the state of the issued share capital of the Company;
- (iii) the Company's latest audited financial statements and the reports of the directors, auditors and supervisors thereon;
- (iv) special resolutions of the Company;
- (v) reports showing the number and nominal value of securities repurchased by the 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);
- (vi) a copy of the latest annual return filed with the State Administration of Industry and Commerce of the PRC; and
- (vii) for shareholders only, copies of minutes of meetings of shareholders.

Appointment of Receiving Agents

The Company is required to appoint one or more receiving agents in Hong Kong and to 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

The Company is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the

subscription, purchase or transfer of any of its 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 shares:

- (i) agrees with the Company and each shareholder of the Company, and the Company agrees with each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the articles of association and other relevant laws and administrative regulations;
- (ii) agrees with the Company, each shareholder, director, supervisor, manager and officer of the Company, and the Company acting for itself and for each director, supervisor, manager and officer of the 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 PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the 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;
- (iii) agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- (iv) authorizes the Company to enter into a contract on his or her behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his or her obligation to shareholders as stipulated in the articles of association.

Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the articles of association.

Contract between the Company and Every Director and Officer

The Company must enter into a contract in writing with every director and officer containing at least the following provisions:

- (i) an undertaking by our director or officer to observe and comply with the PRC Company Law, the Special Regulations, the articles of association, the Hong Kong Code on Takeovers and Mergers and the Code on Share Repurchases and an agreement that the Company will have the remedies provided in the articles of association and that neither the contract nor his or her office is capable of assignment;
- (ii) an undertaking by the director or officer to the Company (acting as agent for each shareholder) to observe and comply with his or her obligations to shareholders stipulated in the articles of association; and
- (iii) an arbitration clause which provides that whenever any differences or claims arise from the Hong Kong Listing Rules, the articles of association or any rights or obligations conferred or imposed by the laws and administrative regulations concerning the affairs of the Company between (a) the Company and the directors, supervisors, presidents or

officers or (b) a holder of overseas-listed foreign-invested shares and the directors, supervisors, presidents or officers, 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 party seeking arbitration. The entire dispute or claim will be resolved through that arbitration. All persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are our shareholders, directors, supervisors, presidents or other officers of our company, must submit to arbitration.

Once the party seeking arbitration submits a dispute or claim to arbitration, the other party must submit to the arbitral body selected by the party seeking the arbitration.

If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of the HKIAC.

PRC laws shall govern the arbitration disputes or claims referred to above, unless otherwise provided by law or administrative regulations.

The award of the arbitral body will be final and binding on the parties.

Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Contract between the Company and Every Supervisor

The Company must enter into a contract in writing with every supervisor containing at least the following provisions:

- (i) an undertaking by the supervisor to the Company to observe and comply with the PRC Company Law, the Special Regulations and the articles of association and an agreement that the Company will have the remedies provided in the articles of association and that neither the contract nor his or her office is capable of assignment;
- (ii) an undertaking by the supervisor to the Company (acting as agent for each shareholder) to observe and comply with the obligations to shareholders stipulated in the articles of association; and
- (iii) the arbitration clause in terms set out in sub-paragraph (iii) above in the paragraph headed “Contract between the Company and Every Director and Officer,” subject to necessary modifications.

Subsequent Listing

The Company must apply for the listing of any of H Shares on a stock exchange in China unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of overseas-listed H Shares are adequately protected.

English Translation

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