
APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities regulations. It also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies Ordinance, certain requirements of the Hong Kong Listing Rules and certain additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

PRC LAWS AND REGULATIONS

I. PRC Legal System

The PRC legal system is formulated on the framework of the People’s Republic of China Constitution (《中華人民共和國憲法》) (the “Constitution”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations and rules of State Council departments, rules of local governments and international treaties of which the PRC government is a signatory. Court cases do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

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 basic laws governing State organs, civil and criminal matters 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 the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of State administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities directly under the PRC Central Government and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, which do not contravene the Constitution, laws and administrative regulations. The people’s congresses of comparatively larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs which do not contravene the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions, and implement upon approval from the standing committees of the people’s congresses of provinces or autonomous regions. The standing committee of the people’s congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the people’s government of the province or autonomous region concerned are identified in the examination of local regulations of comparatively larger cities by the standing committee of the people’s congresses of provinces or autonomous regions, a decision shall be made to resolve the issue. “Comparatively larger cities” refer to cities where the people’s governments of provinces or autonomous regions are located, cities where special economic zones are located and comparatively larger cities as approved by the State Council.

People’s congresses of national autonomous region have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the ethnic minority groups in the region. The autonomous regulations and separate regulations of autonomous regions shall be effective upon approval by the Standing Committee of the NPC. The

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

autonomous regulations and separate regulations of autonomous prefecture or autonomous county shall be effective upon approval by the standing committees of the people's congresses of provinces, autonomous regions or municipalities directly under the PRC Central Government. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomous regulations and separate regulations based on the characteristics of ethnic minority groups in the region so long as they do not contravene the basic principles of the laws or administrative regulations, provided that no adaptations shall be made to the PRC Constitution, the Law of the People's Republic of China on Regional National Autonomy (《中華人民共和國民族區域自治法》) and the specific provisions concerning national autonomous regions contained in other relevant laws and administrative regulations.

The ministries and commissions of the State Council, People's Bank of China, the State Audit Administration and institutions with administrative functions directly under the State Council may formulate rules within the scope of their power based on the laws or the administrative regulations, decisions and orders of the State Council. Provisions of departmental rules shall relate to the enforcement of the laws and administrative regulations, decisions and orders of the State Council. The people's governments of provinces, autonomous regions, municipalities directly under the PRC Central Government and comparatively larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities directly under the PRC Central Government.

The power to interpret laws is vested in the Standing Committee of the NPC. According to The Resolution of the Standing Committee of the NPC Regarding an Improved Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings in addition to its power to issue specific interpretation for specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the statutes and administrative regulations which they have promulgated. At the regional level, the power to give interpretations of the regional regulations is vested in the regional legislative and administrative organs which promulgate such regulations.

II. PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), the judicial system is made up of the Supreme People's Court, the people's courts at various local levels, military courts and other special people's courts. 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 further divided into civil, criminal, economic and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and other special divisions (such as the intellectual property division). People's courts at the lower levels are subject to supervision of people's courts at the higher levels. The people's procurators also have the power to exercise legal supervision over the proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts adopt a "second instance as final" appellate system. A party to the case concerned may appeal against the judgment or ruling of the first instance of a people's court. The people's procurator may protest to the people's court at the next higher level in accordance with procedures stipulated by the laws. In the absence of any appeal by any parties to the case and any protest by the people's procurator within the stipulated period, the judgment or ruling of the people's court shall be the final judgment or ruling. Judgments or rulings of the second instance of the

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds a definite error in a final and binding judgment which has taken effect in any people's court at a lower level, or the president of a people's court finds a definite error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law") adopted on 9 April 1991 and later amended on 28 October 2007, prescribes the provisions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement amongst the parties to a contract provided that the people's court having the jurisdiction is located at the plaintiff's or the defendant's place of domicile, the place of performing the contract, the place of signing the contract or the place of the subject matter, as long as such agreement on jurisdiction does not contravene the provisions of the Civil Procedure Law.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of the PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to perform a judgment or ruling made by a people's court or an award made by an arbitration institution in the PRC, the other party may apply to the people's court for the enforcement of the same. Specific time limits are imposed on the right to apply for such enforcement. The time limit applicable to applications to enforce a judgment is two years, commencing from the last day of the time limit for satisfaction of the judgment specified in the legal documentation; where the legal documentation provides for satisfaction of the judgment in stages, the time limit shall commence from the last day of the period for satisfaction of the judgment at the relevant stage; where the legal documentation does not provide a time limit for satisfaction of the judgment, the time limit shall commence from the effective date of the legal documentation. Where a party refuses to perform a ruling or judgment, the other party may apply to the people's court for execution of the ruling or judgment. Alternatively, a judge may refer such judgment or ruling to an enforcement officer for enforcement.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. A people's court of the PRC may recognize and enforce a foreign judgment or ruling according to the international treaties concluded or acceded to by the PRC or based on the principle of reciprocity, as long as the court does not consider such foreign judgment or ruling contradicts the basic principles of the laws of the PRC or contravenes the sovereignty, national security or social and public interests of the PRC.

III. Company Law

The PRC Company Law (《中華人民共和國公司法》) was promulgated by the Standing Committee of the NPC on 29 December 1993 and came into effect on 1 July 1994. It was amended on 25 December 1999 and 28 August 2004 and revised on 27 October 2005. The revised PRC Company Law came into effect on 1 January 2006.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The Special Regulations were promulgated on 4 August 1994 by the State Council. The Special Regulations are formulated in respect of the overseas share subscription and listing of joint stock limited companies according to Articles 85 and 155 of the applicable PRC Company Law. The Mandatory Provisions jointly promulgated by the PRC Securities Commission of State Council and the PRC State Commission for Restructuring the Economic Systems on 27 August 1994, prescribe provisions which must be incorporated in the articles of association of a joint stock limited company to be listed on overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association. References to a "company" which made in this appendix refers to a joint stock limited company established pursuant to PRC Company Law with foreign shares.

The main provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions are listed as below.

1. General Provisions

A "joint stock limited company" is a corporate legal person established under the PRC Company Law with independent legal properties and enjoys property rights of legal person, whose registered capital is divided into shares of equal value. Its shareholders' liability is limited to the extent of the shares subscribed by them; while the company's liability is limited to the amount of its total assets.

2. Establishment

A company may be established by promotion or subscription.

A company may be established by a minimum of 2 but not more than 200 promoters, and more than half of the promoters must have domicile within the PRC.

Companies incorporated by promotion are companies of which the entire registered capital registered with the company registration authorities is subscribed for by the promoters. The initial capital contribution by all promoters of the Company shall not be less than 20% of the registered capital. The remainder shall be paid up within two years from the date of incorporation of the company by the promoters. For investment companies, the remainder may be paid up within five years. Shares shall not be offered to other persons unless the registered capital has been paid up. For companies incorporated by subscription, the registered capital of a company is the amount of its total paid up capital as registered with the relevant 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. In accordance with the PRC Securities Law, the minimum registered capital of a joint stock limited company seeking to be listed shall not be less than RMB30 million.

For 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 installment. Procedures relating to the transfer of titles for non-monetary 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 assume liabilities 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 capital verification certificate issued by a capital verification institution established lawfully and other documents required by the law or administrative regulations.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Where companies are incorporated by subscription, not less than 35% of their total shares must be subscribed for by the promoters, unless otherwise provided by the law or administrative regulations. A promoter who offers shares to the public must publish a share offer prospectus and draft a share subscription letter to be signed and sealed by subscribers, specifying 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 companies established lawfully, in relation to which underwriting agreements 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 relevant authorities. After the subscription amounts for the share issuance have been paid in full, a capital verification institution established by law must be engaged to conduct capital verification and furnish a report thereon. The promoters shall preside and convene an inaugural meeting within 30 days after subscription amount of shares issued have been fully paid up. The inauguration meeting shall be formed by the subscribers. Where shares issued remain under subscribed by the cut-off date 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 to return the subscription amounts so paid up together with interests at bank rates for a deposit for the same term. 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 on the date when its business license is granted.

A company's promoter shall be liable for:

- (i) the obligations incidental to the liabilities and expenses incurred in the incorporation process if the company cannot be incorporated;
- (ii) the obligations incidental to the refund of subscription amounts to the subscribers together with interest at bank rates for a deposit for the same term if the company cannot be incorporated; and
- (iii) damages suffered by the company as a result of the fault of the promoters in the course of incorporation of the company.

3. Share Capital

The promoter may make capital contribution in cash, non-monetary assets such as in kind, intellectual property right, land use right, or other non-monetary properties that can be appraised by monetary value and transferred lawfully, save for assets that cannot be treated as capital contributions under any law or administrative regulation. If a capital contribution is made other than in cash, a valuation and verification of the asset contributed must be carried out without any overvaluation or under-valuation, subject to any provisions of the law or administrative regulations on valuation. The amount of monetary contribution by all shareholders shall not be less than 30% of the registered capital of the company.

A company may issue registered or bearer share certificates. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency. Shares

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in the Hong Kong Stock Exchange are classified as H shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H 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. The share offering price may be equal to or greater than the par value, but shall not be less than the par value.

4. Increase in Capital

According to the PRC Company Law, the issuance of shares shall be conducted in a fair and equitable manner. Shares in the same class shall rank *pari passu* with one another. Shares of the same class in the same offer shall be issued on the same terms and at the same price. Each share subscribed by any institutions or individuals shall be paid with the same price.

Where a company is issuing new shares, resolutions shall be passed by the shareholders' general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end of the new share 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 CSRC, a new share offering prospectus and financial accounting report must be published and a share subscription letter must be prepared. After the new share issue of the company has been paid up, the change must be registered with the company registration authorities and an announcement must be made. Where a company is issuing new shares to increase its registered capital, the subscription of new shares by shareholders shall be conducted in accordance with same provisions on the payment of subscription amounts in relation to the incorporation of joint stock limited companies.

5. Reduction of Capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- The company shall prepare a balance sheet and an inventory of assets;
- The reduction of registered capital must be approved at a shareholders' general meeting;
- The company shall inform its creditors of the reduction in registered capital within 10 days from the date of the resolution approving such reduction and publish a public announcement in a newspaper within 30 days from the date of such resolution;
- The creditors may within 30 days from the receipt of notice or 45 days from the date of announcement in absence of notice, require the company to repay its debts or provide security for the debts; and
- The company must apply to the relevant administration bureau for industry and commerce for modification registration relating to the reduction in registered capital.

6. Repurchase of Shares

A company shall not purchase its own shares other than for one of the following purposes: (i) to reduce its registered share capital; (ii) to merge with another company that holds its shares; (iii) to

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APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

grant shares to its employees as incentives; and (iv) upon the request of its shareholders who vote against the resolution regarding the merger and demerger in a shareholders' general meeting to purchase the shares held by such shareholders.

The company's acquisition of its own shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution of the shareholders' general meeting. Following the company's acquisition of its shares in accordance with the foregoing, such shares shall be canceled within 10 days from the date of acquisition in the case of (i) and transferred or canceled within six months in the case of (ii) or (iv).

Shares acquired by the company in accordance with (iii) of paragraph one shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds appropriated from the company's profit after tax, and the shares so acquired shall be transferred to the employees within one year.

The company shall not accept the shares of the company as the subject of a pledge.

7. Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder may only make a transfer of its shares on a stock exchange established in accordance with law or by other way 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 and address of the transferee into the share register. No changes of registration in the share register provided in the foregoing shall be effected during a period of 20 days prior to the convening of the shareholders' general meeting or 5 days prior to the record day for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies.

Transfer of bearer shares shall be effective upon the delivery of the share certificates by the shareholders to the transferees.

Shares of a company held by a promoter shall not be transferred within one year after the date of establishment of the company. Shares issued before public offering shall not be transferred within one year after the date of the company's listing on the stock exchange.

Directors, supervisors and the senior management of a company shall declare to the company his shareholdings in the company and any changes of such shareholdings. During their term of office, they shall transfer no more than 25% of the shares they hold in the company each year. They shall not transfer the shares they hold within 1 total year from the date of the company's listing on a stock exchange. Any of the aforesaid persons who ceases to hold his post shall not transfer any of his shares within 6 months from the date on which he ceases to hold his post. 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 the senior management of the company.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

8. Shares

Shareholders have the rights and obligations as set forth in the articles of association of the company, which is binding on each shareholder.

Under the PRC Company Law, the rights of a shareholder include right:

- To receive asset gain, participate in major decision-making and be able to choose the management;
- To attend shareholders' general meetings in person or by proxy, and to vote in accordance with the number of shares held;
- To transfer his shares in accordance with the applicable laws and administrative regulations and the articles of association of the company;
- To inspect the company's articles of association, share register, corporate bond counterfoils, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of supervisory meetings and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;
- To apply to the people's court to revoke any resolution passed at a shareholders' meeting or a board meeting that has been convened or whose voting has been conducted in a manner violating any law, administrative regulations or the articles of association, or any resolution which violates the articles of association provided that such application is submitted within a prescribed period;
- To receive dividends and distributable benefits in other forms in proportion to his shareholding;
- To receive residual assets of the company upon its liquidation in proportion to his shareholding; and
- Any other shareholders' rights provided for in the PRC Company Law and the articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription amounts in respect of share subscribed for, to be liable for the company's debts and liabilities to the extent of the shares subscribed by him and any other shareholders' obligation specified in the company's articles of association.

9. Shareholders' General Meetings

The shareholders' general meeting is the organ of power of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following powers:

- To decide on the company's business policies and investment plans;
- To elect and remove directors not being employee representatives, and to decide on matters relating to the remuneration of directors;

**APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

- To elect and remove supervisors not being employee representatives, and decide on matters relating to the remuneration of supervisors;
- To examine and approve reports of the board of directors;
- To examine and approve reports of the supervisory committee;
- To examine and approve the company's proposed annual financial budget and final accounts;
- To examine and approve the company's proposal for profit distribution plans and recovery of losses;
- To decide on increase or reduction of the company's registered capital;
- To decide on the issue of bonds by the company;
- To decide on issues such as merger, demerger, dissolution, liquidation and change of company form of the company;
- To amend the company's articles of association; and
- Other authorities as provided for in the article of association.

The shareholders' general meeting shall be held once a year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances:

- The number of directors is less than the number stipulated by the PRC Company Law or two-thirds of the number specified in the company's articles of association;
- The aggregate un-recovered losses of the company reach one-third of the company's total paid-up share capital;
- Shareholder alone or in aggregate holding more than 10% of the company's issued shares request the convening of an extraordinary shareholders' general meeting;
- The board of directors deems necessary;
- The supervisory committee so requests; or
- Other circumstances as provided and/or stated in the articles of association.

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 the majority 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 company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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 45 days before the meeting in accordance with the Mandatory Provisions. Shareholders alone or in aggregate holding more than 3% of the company's shares may submit interim proposals to the board of directors in writing 10 days before the shareholders' general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposal and submit such interim proposal for review by the shareholders' general meeting. Interim proposals shall be within the powers of the shareholders' general meeting and shall carry specific subjects and matters for resolution. A shareholders' general meeting shall not make any resolution in respect of any matters not set out in the two types of notices mentioned above. Holders of bearer share certificates who wish to attend the shareholders' general meeting shall deposit their share certificates with the company 5 days before the meeting, which share certificates shall remain in the custody of the company until the close of the shareholders' general meeting. Shareholders present at the shareholders' general meeting shall have one vote for each share held. However, shares of the company held by the company carry no voting rights.

Resolutions proposed at the shareholders' general meeting must be passed by more than half of the voting rights held by shareholders present in person (including those represented by proxies) at the meeting, with the exception of special resolutions which, in accordance with the articles of association of the company, must be passed with more than two-thirds of the voting rights held by shareholders present, including those represented by proxies at the meeting.

Where the PRC Company Law and the articles of association provide that the transfer or assignment 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. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of directors or supervisors to be elected for the election of directors and supervisors at the shareholders' general meeting, and shareholders may consolidate their voting rights when casting a vote.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of shares of any type, warrants or other similar securities, bonds or debentures, liquidation, and any matters required by ordinary resolutions to be approved through special resolutions, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present at the shareholders' general meeting. A shareholder may appoint a proxy to attend a shareholders' general meeting on his behalf by a written power of attorney specifying the scope of the authorization.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a shareholders' general meeting may be held when written replies to the notice of that meeting from shareholders holding shares representing more than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall within five days of the last day for receiving written replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the shareholders' general meeting may be held thereafter. The Mandatory Provisions require class shareholders' meeting to be held in the event of a variation or abolition of the rights of class shareholders. Holders of domestic invested shares and holders of H shares are deemed to be different classes of shareholders for this purpose.

**APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

10. Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election 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.

Meetings of the board of directors shall be convened at least twice a year. Notices of the meetings shall be given to all directors and supervisors 10 days before the meetings. The board of directors may provide for a different method of giving notice and notice period of board meetings for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

- (i) To convene the shareholders' general meetings and report on its work to the shareholders' general meeting;
- (ii) To implement the resolutions of the shareholders' general meetings;
- (iii) To decide on the company's business plans and investment proposals;
- (iv) To formulate the company's proposed annual budget and final accounts;
- (v) To formulate the company's proposal for profit distribution plans and recovery of losses;
- (vi) To formulate proposals for increase or reduction of the company's registered capital and the issuance of corporate bonds;
- (vii) To prepare plans for the merger, demerger, dissolution or change in the form of the company;
- (viii) To decide on the composition of the company's internal management structure;
- (ix) To appoint or dismiss the company's general manager and decide on his remuneration, and, based on the general manager's nomination, to appoint or dismiss the deputy general manager and financial officers of the company and to decide on their remunerations;
- (x) To formulate the company's basic management system;
- (xi) To formulate proposals for the amendment to the articles of association; and
- (xii) To exercise other powers provided for in the company's articles of association.

Meetings of the board of directors shall be held only if over half of the directors are present. Resolutions of the board of directors require the approval of more than half of all the directors. In the event of equality of affirmative votes and negative votes, the chairman of the board of directors shall have a casting vote. In any vote on a resolution of the board of directors, each director shall have one vote.

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APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

If a director is unable to attend a board meeting, he may appoint another director by a proxy form specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations, the articles of association or resolutions of shareholders' meetings 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 proven that a director ever expressly opposed the resolution, and that such opposition was recorded in the minutes of the meeting, such director may be relieved from that liability.

Under the PRC Company Law, the following persons shall not serve as a director of a company:

- persons without civil capacity or with restricted civil capacity;
- persons having been sentenced to imprisonment for the following crimes: corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, 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 offence, where less than five years have elapsed since the completion of this deprivation;
- former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated being 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;
- legal representatives of a company or enterprise which had its business license revoked or ordered to close due to violation of the law being personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise; or
- persons with a relatively large amount of individual debts due and outstanding.

The election or appointment of directors by the company in violation of the aforesaid provisions shall be null and void. Directors committing the above during their terms of office shall be released of their duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

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 the majority of directors shall perform his duties.

11. Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and a supervisor may serve consecutive terms if

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

re-elected. 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 company's staff shall not be less than one-third. Directors and senior management shall not act concurrently as supervisors. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election 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 its powers:

- To review the company's financial information such as financial reports, business reports and profit distribution plan submitted by the board of directors to the shareholders' general meeting and in case of finding any doubts, appointing certified public account on behalf of company to assist re-examination of the same;
- To supervise the duty of directors and senior management and to propose the removal of the directors and senior management who have violated laws, administrative regulations, the articles of association or resolution of a shareholders' general meeting;
- To require the directors or senior management to rectify any action which adversely affects the company's interests;
- 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 the PRC Company Law;
- To propose any bill in a shareholders' general meeting;
- To initiate proceedings against directors and senior management in accordance to Article 152 of the PRC Company Law; and
- Other powers specified in the company's articles of association.

Supervisors may be in attendance at board meetings as non-voting delegates and make enquiries or proposals in respect of board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in his work at the company's expense.

The circumstances under which a person is disqualified from being a director of a company as described above also apply mutatis mutandis to supervisors of a company.

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 the majority of supervisors shall convene and preside over supervisory committee meetings.

**APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

12. Manager and Other Senior Management

A company shall have a manager, who shall be appointed or removed by the board of directors. The manager is responsible to the board of directors and may exercise the following powers:

- (i) To oversee the production, operation and administration of the company and arrange for the implementation of resolutions of the board of directors;
- (ii) To arrange for the implementation of the company's annual business and investment proposals;
- (iii) To propose plans for the establishment of the company's internal management structure;
- (iv) To propose the basic management system of the company;
- (v) To formulate the company's specific rules;
- (vi) To recommend the appointment or dismissal of deputy manager(s) and person(s) in charge of finance and decide on the appointment or dismissal of other officers (other than those required to be appointed or dismissed by the board of directors);
- (vii) To sit in at board meetings; and
- (viii) To exercise other powers granted by the board of directors or the company's articles of association.

Pursuant to the PRC Company Law, the Special Regulations and Mandatory Provisions provide that, apart from the manager, other senior management of a company includes deputy manager(s), person(s) in charge of finance secretary of the board of directors of a listed company and other officers as specified in the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above also apply mutatis mutandis to managers and other senior management of the company.

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

13. Duties of Directors, Supervisors, Managers and Other Senior Management

Directors, supervisors, managers and senior management of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties in good faith and diligence.

Directors, supervisors, managers and other senior management are prohibited from making use of their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

- (i) Misappropriation of company funds;
- (ii) Deposit of company funds into accounts under his own name or the name of other individuals;

**APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

- (iii) Loaning company funds to others or providing security in favor of others on the basis of the company properties in violation of the articles of association or without approval of the shareholders' general meeting or board of directors;
- (iv) Entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- (v) using one's position and powers to procure business opportunities for oneself or others that should have otherwise been available to the company or operating for one's own benefit or managing on behalf of others businesses similar to that of the company without approval of the shareholders' general meeting;
- (vi) Accepting for one's own benefit commission from a third party dealing with the company without prior approval of the informed shareholders' general meeting;
- (vii) Unauthorized divulgence of confidential information of the company;
- (viii) Other acts in violation of the fiduciary duty to the company.

Income generated by directors or senior management in violation of the foregoing provisions shall be reverted to the company.

A director, supervisor or senior management who contravenes any law, administrative regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be liable to the company.

Where the attendance of a director, supervisor or senior management is requested by the shareholders' general meeting, such director, supervisor or senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management should furnish with truthful facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

Where a director or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company, shareholders holding alone or in aggregate more than 1% of the company's shares consecutively for more than 180 days may request in writing the supervisory committee to institute litigation at the people's court. Where a supervisor violates the law or administrative regulations or the articles of association in the discharge of his duties resulting in losses to the company, the aforesaid shareholders may request in writing the board of directors to institute litigation at the people's court. In the event that the supervisory committee or board of directors refuses to institute litigation after receiving the written request of shareholders as provided in the foregoing, or fails to institute litigation within 30 days after receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interest, shareholders mentioned in the foregoing shall have the power to institute litigation directly at the people's court in his own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in losses to the company, shareholders may institute litigation at the people's court in accordance with the foregoing provisions. Where a director or a senior manager who contravenes any law, administrative regulation or the articles of association in infringement of shareholders' interests, shareholders may also institute litigation at the people's court.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other senior management shall have fiduciary duties towards the company. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions contains detailed stipulations on these duties.

14. Financial and Accounting Affairs

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 accounting year prepare a financial and accounting report which shall be audited by an accountant as provided in accordance with law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of financial department of the State Council.

A joint stock limited company shall deposit its financial and accounting report at the company for the inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company established by subscription must publish its financial and accounting report. When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund (except where the fund has reached 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 up the losses before allocations are set aside for the statutory common reserve fund. 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' meeting or the shareholders' general meeting by way of resolution, make further appropriations from its after-tax profit to the discretionary common reserve fund. After the company has made up its losses and made allocations to its common reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders, except for distributions stipulated by the articles of association which are not to be made in a proportionate manner. Profit distributed to shareholders by the shareholders' general meeting or the board of directors, before losses have been made and appropriations have been made to the statutory commons reserve fund in violation of the foregoing provisions must be returned to the 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 the company on issue and other gains required by the department of finance under the State Council to be treated as the capital common reserve shall be accounted for as capital common reserve. The common reserve of a company shall be applied to make up the company's losses, expand the business operations of the company or increase the company's capital, provided that the capital common reserve shall not be used to make up the company's losses. Upon the conversion of statutory common reserve into capital, the balance of such statutory common reserve shall not be less than 25% of the registered capital of the company before such conversion.

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.

15. Appointment and Retirement of Auditors

Pursuant to the Special Regulations, the appointment or dismissal of accountants responsible for the company's accounting shall be determined by the shareholders' general meeting and shall be filed with the CSRC. The accountant should be allowed to make presentation when shareholders'

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

general meeting or board of directors is going to conduct a vote on the dismissal of the accountant. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accountant it hires without any refusal, withholding and false information.

The Special Regulations require a company to employ independent PRC certified public accountants to audit the company's annual report and review and verify other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the following annual general meeting.

If a company removes or ceases to engage the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make presentation at a shareholders' general meeting. The appointment, removal or engagement of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC.

16. Distribution of Profit

The Special Regulations provide that dividends and other distributions to be paid to shareholders of H shares shall be declared and calculated in RMB and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

17. Amendment to Articles of Association

Any amendments to the articles of association must be made in accordance with the procedures set forth in applicable laws, administrative regulations and the articles of association. Any amendment of provisions incorporated in the articles of association in accordance with the Mandatory Provisions will only be effective after obtaining approvals from the company examination and approval department authorized by the State Council and the CSRC. If the amendment to the articles of association falls to be registered and filed and has been adopted, the company must process registration of changes in accordance with applicable laws and administrative regulations.

18. Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved for the following reasons:

- (i) The term of its operation stipulated in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;
- (ii) A resolution is passed at a shareholders' general meeting to dissolve the company;
- (iii) The company is dissolved due to its merger or division;
- (iv) The business license is revoked, the operation is ordered to close down, or the company is dissolved in accordance with the law;
- (v) The company shall be dissolved by the people's court pursuant to Article 183 of the PRC Company Law.

**APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

In the event of (i) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with the foregoing provisions shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

When a company is to be dissolved pursuant to item (i), (ii), (iv) or (v), it shall establish a liquidation committee within 15 days from the occurrence of cause for liquidation and commence the liquidation process. Members of a liquidation committee are appointed by directors or shareholders in a shareholders' general meeting.

The creditors may apply to the people's court to designate a team to form a liquidation committee in the event the company fails to establish a liquidation committee within the time limit.

A liquidation committee is required to notify creditors of the company within 10 days after its establishment and issue public announcement on a newspaper within 60 days. A creditor is required to file its claim with the liquidation committee within 30 days after receiving the notification, or within 45 days after the announcement, if such notification has not been received.

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

- To identify the company's properties and to prepare a balance sheet and an inventory of assets;
- To inform or notify creditors by way of notice or public announcement;
- To dispose of and liquidate any relevant outstanding businesses of the company;
- To settle outstanding taxes and other taxes incurred in the course of liquidation;
- To settle financial claims and liabilities;
- To deal with the surplus properties of the company after its debts have been paid off; and
- To represent the company in civil lawsuits.

The assets of the company shall be distributed in the following order: the liquidation expenses, employee wages, social insurance fund and statutory compensation; outstanding taxes and general indebtedness of the company. Any properties post settlement will be distributed to shareholders in proportion to their respective shareholdings.

During liquidation period, the company shall not engage in operating activities that are not related to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient properties to meet its liabilities, it must immediately apply to the people's court for a declaration of bankruptcy. After the company is declared bankrupt by the people's court, the liquidation committee shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation committee shall be prohibited from making use of their powers to accept bribes or other unlawful income and from appropriating the company's properties. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Liquidation of a company declared bankrupt according to the law shall be processed in accordance with laws on corporate bankruptcy.

19. Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue H shares and domestic shares which have been approved by CSRC may be implemented by the board of directors of the company by way of separate issues, within 15 months from the date of approval from the CSRC.

20. Loss of Share Certificates

A shareholder of domestic shares may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that registered share certificates are either stolen, lost or damaged, for a declaration that such certificates are void. Upon such a declaration by the people's court, the shareholder may apply to the company for the issuance of replacement certificates.

The Mandatory Provisions provides a separate procedure regarding the loss of H share certificates.

21. Merger and Demerger

The merger or demerger of a company must be decided by resolution on shareholders' general meeting.

Companies may merge through merger and acquisition or consolidation. In the case of merger and acquisition, the company which is acquired shall be dissolved. In the case of consolidation, both parties to the merger shall be dissolved.

When companies merge together, both parties to the merger must reach a merger agreement and prepare for balance sheets and financial statements.

The company shall within 10 days from the date of the resolution of merger notify the creditors and issue announcements in newspapers within 30 days from such date. The creditors may within 30 days from the receipt of notice or 45 days from the date of announcement in the absence of notice, require the company to repay its debts or provide security for the debts.

When companies merge, the credits and debts of the merging parties shall be assumed by the surviving company or the new company. When a company demerges, its assets must be divided accordingly and a balance sheet and inventory of assets must be drawn up. The company should notify its creditors within 10 days of such resolution being passed and announce the same in newspapers within 30 days. Unless otherwise agreed with a creditor, obligations in respect of the liabilities before the demerger of the company shall be borne jointly by the demerged companies.

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APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Changes in registrable particulars of the companies caused by merger or demerger must be registered with company registration authorities according to law. Cancellation of a company should be registered in accordance with the law when a company is dissolved. Incorporation of a company shall be registered when a new company is incorporated.

IV. SECURITIES LAW AND RULES OF SUPERVISION

Since 1992, the PRC has promulgated a number of regulations in relation to the share offering and trading and the disclosure of information.

In early 1993, the State Council established the Securities Commission and the CSRC. The Securities Commission is responsible for co-coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the securities regulator set up under Securities Commission, and is responsible for drafting securities regulations, supervising securities markets, regulating public offers of securities by PRC companies in the PRC or overseas, and regulating the trading of securities, drawing up statistic information related to securities and conducting research and analysis.

In early 1998, the State Council dissolved the Securities Commission. The duties previously assumed by the Securities Commission were all transferred to CSRC.

On 4 August 1994, the State Council promulgated the Special Provisions. These regulations mainly regulate the issue, subscription, trading and declaration of dividends and other distributions of overseas listed shares, articles of association and disclosure of information of joint stock limited companies having overseas listed shares.

On 25 December 1995, the State Council promulgated the Regulations of the State Council concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

On 29 December 1998, the Standing Committee of the NPC passed the Securities Law of the People's Republic of China (《中華人民共和國證券法》). This is the first national securities law in the PRC and is the fundamental law regulating activities in the PRC securities market. The Securities Law took effect on 1 July 1999 and was revised on 27 October 2005.

The Securities Law is applicable to issuance and trading in the PRC shares, bonds, and other securities designated by the State Council according to laws. Provisions of PRC Company Law and other applicable laws and rules are applicable to any affairs not stipulated in the Securities Law.

On 26 March 1999, the State Economic and Trade Commission and the CSRC promulgated the Opinion on the Further Enhancing of the Standardized Operation and In-depth Reform of Overseas Listed Companies (the "Opinion") (《關於進一步促進境外上市公司規範運作和深化改革的意見》), which is aimed at regulating the internal operation and management of the PRC companies listed overseas. The Opinion regulates, amongst others, the appointments and functions of external directors and independent directors on the board of directors, and the appointment and functions of external supervisors on the supervisory committee.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

V. THE ARBITRATION LAW

The Arbitration Law of the People's Republic of China (or the Arbitration Law) (《中華人民共和國仲裁法》) was issued by the Standing Committee of the National People's Congress of China on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, disputes involving properties or contracts where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee is constituted according to the Arbitration Law. Arbitration Law stipulates that before China Arbitration Association draws out arbitration rules, arbitration committee may draw out temporary rules pursuant to the Arbitration Law and Civil Procedure Law. Where the parties have by agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court unless the arbitration agreement is void.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and in the case of the Hong Kong Listing Rules, also in a contract between the company and each director and supervisor, to the effect that whenever any dispute or claim arises from any rights or obligations provided for in the articles of association, the PRC Company Law and other relevant laws and administrative regulations concerning the affairs of a company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign and a director, supervisor, or senior management, unless otherwise specified in the articles of association, such parties shall submit that dispute or claim to arbitration to either the CIETAC or the HKIAC for arbitration. If the party seeking arbitration selects 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.

CIETAC is an economic and trade affairs arbitration organ. Pursuant to the CIETAC Arbitration Rules (《中國國際經濟貿易仲裁委員會仲裁規則》) as amended on 11 January 2005 (which amendment became effective on 1 May 2005), CIETAC's jurisdiction covers disputes relating to Hong Kong. CIETAC is located in Beijing with branches in Shenzhen and Shanghai.

Under the Arbitration Law, the single ruling system shall be applied in arbitration where the arbitration judgment is binding on the parties. If a party fails to comply with an award, the other party may apply to the court for enforcement. The court may revoke or refuse to enforce an arbitrate award made by an arbitration body in accordance with Arbitration Law and Civil Procedure Law.

A party seeking to enforce an arbitral award of a PRC arbitration organ against a party who or whose property is not in the territory of the PRC, may apply to foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. Standing Committee of the NPC passed a resolution on 2 December 1986 that the PRC acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"), which was passed for recognition and enforcement of foreign arbitral awards on 10 June 1958. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC

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APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

will only apply the New York Convention in disputes considered under PRC laws to arise from contractual or non-contractual mercantile legal relations. On 18 June 1999, an arrangement was made between Hong Kong and the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on 1 February 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitral authorities can be enforced in Hong Kong. The arbitration awards made by Hong Kong arbitration authorities are also enforceable in China.

VI. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is RMB, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. SAFE, under the authority of the PBOC, is empowered to administer all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In 1994, the conditional convertibility of RMB in current account items was implemented, and the official RMB exchange rate and the market rate for RMB was unified. On 29 January 1996, the State Council promulgated new Regulations of the People's Republic of China for the Control of Foreign Exchange ("Control of Foreign Exchange Regulations") (《中華人民共和國外匯管理條例》) which became effective on 1 April 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Current account items are not subject to SAFE approval while capital account items are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997 and 1 August 2008 respectively to affirmatively state that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the "Settlement Regulations") (《結匯售匯及付匯管理規定》) which became effective on 1 July 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 1 January 1994, the former dual exchange rate system for RMB was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply. The PBOC set and published daily the RMB-U.S. dollar base exchange rate. This exchange rate was determined with reference to the transaction price for RMB-U.S. dollar conversions in the inter-bank foreign exchange market on the previous day. The PBOC also, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of RMB against other major currencies. In foreign exchange transactions, designated foreign exchange banks could, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

The PBOC announced that, beginning on 21 July 2005, China would implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The RMB exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the RMB in the inter-bank foreign exchange market after the close of market on each working day, setting the central parity for trading the RMB on the following trading day.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Since 4 January 2006, the PBOC has improved the method to generate the central parity of the RMB exchange rate by introducing an inquiry system while keeping the match-making system in the inter-bank spot foreign exchange market. In addition, the PBOC provided liquidity in the market by introducing a market maker system in the inter-bank foreign exchange market. After the introduction of the inquiry system, the formation of the central parity of RMB against the U.S. dollar was transformed from the previous arrangement based on the closing price determined by price-matching transactions in the inter-bank foreign exchange market to a mechanism under which the PBOC authorized the China Foreign Exchange Trading System to determine and announce the central parity of RMB against the U.S. dollar, based on the inquiry system, at 9:15 am on each Business Day.

All foreign exchange income (except such amount of foreign exchange income as is permitted to be retained and deposited into foreign exchange accounts at the designated foreign exchange banks) generated from current account transactions of Chinese enterprises (including foreign-invested enterprises) is sold to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks but instead may be deposited into foreign exchange accounts at the designated foreign exchange banks.

Chinese enterprises (including foreign-invested enterprises) which require foreign transactions relating to current account items may, without the approval of SAFE, effect payment into foreign exchange accounts at the designated foreign exchange banks if the enterprises have valid proof of such requirements. Foreign-invested enterprises which require foreign exchange for the distribution of profits to their shareholders, and Chinese enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange (like us), may, on the strength of shareholders' general meeting resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, including direct investments and capital contributions, is still subject to restrictions, and prior approval from SAFE must be obtained.

Dividends to holders of H shares are declared in RMB but must be paid in Hong Kong dollars.

We prepare our consolidated financial statements in Renminbi.

HONG KONG LAWS AND REGULATIONS

A. Hong Kong 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 common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC seeking a Listing is 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 limited liability company incorporated in Hong Kong and the PRC Company

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Law applicable to a joint stock limited company incorporated 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 is 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 joint stock limited company may be incorporated by promotion method or the subscription method. A company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by laws and regulations. Hong Kong law does not prescribe any minimum capital requirement 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 established by promoters is the amount of the total share capital subscribed by all promoters registered with the authority of company registration. The registered capital of a joint stock limited company established by subscription is the amount of the total paid-in capital registered with the authority of company registration. Any increase in the registered capital must be approved by the shareholders at a shareholder's general meeting and by the relevant PRC governmental and regulatory authorities.

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

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

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Restrictions on shareholding and transfer of shares

Under the PRC law, the domestic shares ("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 the State, PRC legal or natural persons, Qualified Foreign Institutional Investors and Qualified Foreign Strategic Investors. The overseas listed foreign shares ("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 for, and traded by domestic investors of the PRC with approval granted by the relevant PRC authorities, as well as investors from Hong Kong, Macau and Taiwan or any country and territory outside 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 listing date of the shares on the Hong Kong Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they hold in the company. Moreover, the shares they hold in the company cannot be transferred within one year from the listing date of the shares, and within six months after the said personnel has left office. The articles of association of the company may set out other restrictive requirements on shareholdings and transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfer of shares under Hong Kong company 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

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC 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 variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VIII in this document. Under the 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-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of a Hong Kong 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.

The Company (as required by the Hong Kong 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 the H Shares and Domestic Shares are defined in

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

the Articles of Association as holders of shares of different classes, but the special voting procedures of class meetings shall not apply in the following circumstances: (i) with the approval by a special resolution at a shareholders' general meeting, the Company issues, either separately or simultaneously, Domestic Shares and H Shares at an interval of twelve months, and the numbers of Domestic Shares and H Shares proposed to be issued do not exceed 20% of the issued Domestic Shares and 20% of the issued H Shares respectively; (ii) the Company's plan to issue Domestic Shares and H Shares at the time of incorporation is accomplished within 15 months from the date of the approval by the CSRC; or (iii) having obtained the approval from the CSRC or relevant securities regulatory authority of the State Council, the Domestic Shares of the Company are transferred to overseas investors and such shares are listed and traded on an overseas stock exchange. 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 directors' interests in material contracts (save for those related to connected transactions), 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, and guarantees in respect of directors' liability or prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VIII to this document.

Supervisory committee

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision of a supervisory committee. However, 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 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 a company against directors who have committed a breach of their fiduciary duties to the company. The PRC Company Law stipulates that if directors and senior officers incur losses for the company due to violation of laws, administrative regulations or the articles of association of the company in his performance of duties for the company, shareholders holding more than 1% shares of the company individually or collectively for a consecutive of more than 180 days may request the supervisory committee to initiate proceedings in the people's court by giving a written request to the supervisory committee. If supervisors incur losses for the company due to violation of laws, administrative regulations or the articles of association in their office, the aforesaid shareholders may request the board of directors to initiate

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

proceedings in the people's court by giving a written request to the board of directors. If the supervisory committee, board of directors or the executive directors refuse the written request of proceedings from the shareholders, or do not initiate proceedings within 30 days upon receipt of request, or in case of emergency that will incur irrecoverable losses for the company if no actions are taken, the aforesaid shareholders are entitled to initiate proceedings in the people's court directly in their own names for the interest of the company. The Mandatory Provisions further provide remedies to the company against directors, supervisors and officers who breach their duties to the company. In addition, as a condition for the listing of H shares on the Hong Kong Stock Exchange and in accordance with the Mandatory Provisions, every director and supervisor of a joint stock limited company applying for a listing of its H shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company acting as agent for each of the shareholders. This allows minority shareholders to litigate against the 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 of the Hong Kong Government 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 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 part 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 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' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 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 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 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 general meeting is 21 days.

Quorum for shareholders' meetings

Under Hong Kong law, two members shall be a quorum for a general meeting, unless the articles of association of the company provides otherwise. In the case of one-member companies, one member shall be a quorum. The PRC Company Law does not specify any quorum requirement for a 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 50% of the voting rights in the company at least 20 days before the proposed date of the

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

meeting. If that 50% level is not achieved, the company shall within 5 days notify its 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-fourths of votes cast by members present in person or by proxy at a 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, merger, demerger or dissolution of, change of form of a joint stock limited company, increase or decrease of registered capital and the change of a company's form, which require 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 available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial statements. The annual balance sheet has to be verified by certified public 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 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 accounting standards, have its accounts prepared and audited in accordance with International Accounting 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 Company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

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 in the relevant stock exchanges.

Information on directors and shareholders

The PRC Company Law gives the shareholders of a joint stock limited company the right to inspect the articles of association, minutes of the shareholders' general meetings, register of

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

shareholders, counterfoil of corporate bonds, records of board meetings, records of the meetings of the supervisory committee and financial and accounting reports. Under the articles of association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is 6 years while that under the PRC law is 2 years. The Mandatory Provisions require the appointment of a trust company registered under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such H 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 Company Law, such reorganization shall be subject to the relevant approval under the PRC Company Law.

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 either the HKIAC or the CIETAC, at the claimant's discretion.

Mandatory deductions

Under the PRC Company Law, after-tax profits of a joint stock limited company are subject to deductions of contributions to the company's statutory common reserve fund and discretionary common reserve fund, as approved by shareholders by way of resolution at a shareholders' meeting, before they can be distributed to its shareholders. There are prescribed percentages under the PRC Company Law for such deductions. There are no such requirements under Hong Kong Law.

Remedies of a company

Under the PRC 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, which 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 Hong Kong Listing Rules, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been set out in the Articles of Association.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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 PRC Company Law and the Special Regulations, directors, supervisors, officers, and managers owe a fiduciary duty and due diligence duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company without prior approval of shareholders' general meeting.

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 in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within 5 days before the record date set for the purpose of distribution of dividends.

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 Adviser

A company seeking listing is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after its listing date. The compliance adviser is to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser 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 adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The compliance adviser 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.

Accountant's 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 to 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 appointment, the termination of his appointment and his contact particulars.

Public float

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 Hong Kong Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has 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% if the Company has 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 and subscription 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 way of special resolutions of shareholders in general meeting and 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

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

and Mergers and any similar applicable law of which the Directors are aware of, 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.

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 such PRC company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VIII to this document.

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 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 general meeting, and the approvals by special resolutions of the holders of Domestic Shares and H Shares (each being otherwise 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 to the extent that the existing shareholders of the 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, issue or grant, 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 the Company's plan at the time of its 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

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the Model Code for Securities Transactions by Directors of Listed Issuers (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

The Company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (i) the term of the contract may exceed three years; or (ii) the contract expressly requires us to give more than

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration committee of the 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 and whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote.

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, the Mandatory Provisions and the PRC Company Law 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:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- 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);
- a copy of the latest annual return filed with the PRC State Administration for Industry and Commerce; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving agents

Under Article 140 of the Mandatory Provisions, the 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

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

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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:

- 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, other relevant laws and administrative regulations and the Articles of Association;
- 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 of the Company, 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 hearing in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- authorizes the Company to enter into a contract on his behalf with each Director, Supervisor, manager and officer of the Company whereby each such Director, Supervisor, manager and officer undertakes to observe and comply with his 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 its Directors, officers and Supervisors

The 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 the Company to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that the 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 the 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 that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between

APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either CIETAC in accordance with its rules or 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 the Company on its 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.

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

Subsequent listing

The Company must not apply for the listing of any of its H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of 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.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis 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 the 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 Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of the Listing.

C. Other Legal and Regulatory Provisions

Upon Listing, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may

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APPENDIX VII — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

be applicable to companies listed on the Hong Kong Stock Exchange will apply to the Company.

D. Securities Arbitration Rules

The Articles of Association provides that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either CIETAC or HKIAC in accordance with their respective rules. The Securities Arbitration Rules of 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 telecommunications. 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.

PRC LEGAL MATTERS

Chen & Co, the Company's legal adviser on PRC law, has sent to the Company an opinion dated 14 August 2009 confirming that the description and summaries of PRC laws, rules and regulations as contained in this document are correct, true, accurate and not misleading. This opinion is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix X to this document.

Should anyone wish to seek detailed advice on PRC laws or any laws of any jurisdiction, please consult independent legal advisers.