As at the Latest Practicable Date, the Company's registered capital was RMB50 million divided in 500 million Domestic Shares of RMB0.10 each.

The registered capital of the Company immediately after the completion of the Placing and assuming that the Over-allocation Option is not exercised will be as follows:

Registered capital

Issued:		*RMB*
485,294,118	Domestic Shares of RMB0.10 each in issue *(Note 1)*	48,529,411.80
To be issued:		
161,764,706	H Shares to be issued pursuant to the Placing (including the H Shares converted from Domestic Shares) *(Notes 2 & 3)*	16,176,470.60
Total:		
647,058,824	Shares	64,705,882.40

The registered capital of the Company immediately after the completion of the Placing and assuming the Over-allocation Option is exercised in full will be as follows:

Registered capital

Issued:		*RMB*
483,088,236	Domestic Shares of RMB0.10 each in issue *(Note 1)*	48,308,823.60
To be issued:		
186,029,412	H Shares to be issued pursuant to the Placing (including H Shares converted from Domestic Shares) *(Notes 2 & 3)*	18,602,941.20
Total:		
669,117,648	Shares	66,911,764.80

Notes:

1. Pursuant to an approval issued by the CSRC dated 22 April 2003, the Capital Reorganisation was approved and each Domestic Share of the Company with nominal value of RMB1.00 each was sub-divided into 10 Domestic Shares of nominal value of RMB0.10 each.

2. State-owned Shares held by the State Shareholders were taken into account. Pursuant to a submission report to the MOF and an undertaking, both approved by the MOF on 15 October 2002, the MOF has approved the sale of the State-owned Shares. If the Over-allocation Option is not exercised at all, the total number of H Shares to be issued and sold (as the case may be) will be 161,764,706 H Shares, comprising 147,058,824 New H Shares and 14,705,882 Sale H Shares converted from 14,705,882 Domestic Shares. The 14,705,882 Sale H Shares comprise 3,848,529 Sale H Shares, 5,922,059 Sale H Shares and 4,935,294 Sale H Shares which will be offered for sale by XITIC, BJ Holdings and Shaanxi Silk respectively at the Placing Price under the Placing. If the Over-allocation Option is exercised in full, the total number of H Shares to be issued and sold (as the case may be) will be increased to 186,029,412 H Shares,

comprising 169,117,648 New H Shares and 16,911,764 Sale H Shares converted from 16,911,764 Domestic Shares. The 16,911,764 Sale H Shares comprise 4,425,808 Sale H Shares 6,810,368 Sale H Shares and 5,675,588 Sale H Shares offered by XITIC, BJ Holdings and Shaanxi Silk respectively at the Placing Price for sale under the Placing.

3. Pursuant to a submission report to the MOF and an undertaking both dated 18 September 2002 and approved by the MOF on 15 October 2002, the Company is authorised to offer the State-owned Shares for sale under the Placing.

1. MINIMUM PUBLIC FLOAT

Under the GEM Listing Rules, the minimum level of public float to be maintained by the Company at all times after listing is 25% of the share capital in issue from time to time, so long as no other securities (other than H Shares) have been issued by the Company to the public in the meantime. In the event of any such issue of securities (other than H Shares) to the public, then: (i) 100% of such H Shares must be held by the public; (ii) the percentage of H Shares in public hands shall not be less than 10% of the Company's total issued share capital; and (iii) minimum level of public float of the aggregate of H Shares in issue and such other securities held by the public shall not be less than 25% of the Company's then total issued share capital. At the time of listing of the Company's H shares and assuming that the Over-allocation Option is not exercised, the public float of the Company will be approximately 25%.

2. RANKING

Domestic Shares and H Shares are both ordinary shares in the registered capital of the Company. However, H Shares may only be subscribed for and traded in Hong Kong dollars among legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic Shares, on the other hand, may only be subscribed for and traded among legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of H Shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by the Company in Renminbi.

According to the laws of the PRC, all Domestic Shares held by the Promoters may not be sold within a period of three years from the date of transformation to the Company and ended on 10 October 2003. As at the date of this prospectus, none of the Promoters has sold any Domestic Shares held by him/it. The Domestic Shares are not admitted for listing on any stock exchange and no arrangement has been made for the Domestic Shares to be traded or dealt with on any other authorised trading facility in the PRC.

Except as described above and in relation to the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different parts of the register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, that are all provided for in the Articles of Association and summarised in appendix V to this prospectus, the Domestic Shares and the H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, made or paid after the date of allotment of the H Shares. However, the transfer of Domestic Shares is subject to such restrictions as the relevant PRC laws may impose from time to time.

Save for the Placing, the Company does not propose to carry out a public or private issue or to place securities simultaneously with the Placing in the foreseeable future. The Company has not approved any share or debt issue plan other than the Placing.