
SUBSTANTIAL SHAREHOLDER, INITIAL MANAGEMENT SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

RELATIONSHIP WITH CHAOYANG AUXILLARY

Chaoyang Auxillary is the controlling shareholder of the Company, currently holding approximately 74.6% of the Company's issued shares. Immediately following completion of the Share Offer, Chaoyang Auxillary will hold approximately 46.91% of the enlarged issued share capital of the Company, assuming that the Over-allotment Option is not exercised.

Chaoyang Auxillary is a state-owned enterprise founded in 1992 with a registered capital of RMB14 million. The principal business of Chaoyang Auxillary is investment holding and property management. Chaoyang Auxillary is also engaged in the business of property leasing. Its subsidiary, Tengyuan, is engaged in the trading of motor vehicles and the provision of related repair services.

In terms of business operation, financial operation, management and human resources, the Group is independent of Chaoyang Auxillary. At present, the Group does not compete with Chaoyang Auxillary and its associates other than the Group. As at the Latest Practicable Date, there is one non-executive Director who was also acting as general manager of Chaoyang Auxillary, namely Mr. Gu Hanlin.

Since Chaoyang Auxillary and the Company only have one common senior management member, the Directors are of the view that the Company can operate independently of Chaoyang Auxillary as the majority of the directors of the two companies do not overlap. Furthermore, apart from the non-executive Director mentioned above, none of the senior management members of the Group is an officer of, or holds a management position in, Chaoyang Auxillary.

Pursuant to an agreement entered into between the Company and Chaoyang Auxillary dated 25 July, 2005, Chaoyang Auxillary has undertaken that, for so long as Chaoyang Auxillary holds 10% (or more) of the Company's total issued shares, it:

- (i) will not, and will procure that its subsidiaries (except the Company and its subsidiaries) will not, inter alia, engage or hold shares in any business which may compete directly or indirectly with the business of the Group; and
- (ii) if Chaoyang Auxillary (or its group members) is offered any opportunities to participate in any business which competes with that of the Group, Chaoyang Auxillary will endeavour to procure that such opportunities will be offered to the Group on terms reasonably acceptable to the Company.

Any future injection of assets into the Group (including any assets to be injected into the Group by Chaoyang Auxillary) after completion of the Share Offer will be subject to the provisions of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to its shareholders when any acquisition and disposal of assets by the Group is proposed, irrespective of the size of such acquisition or disposal. The Stock Exchange also has the power, pursuant to the GEM Listing Rules, to aggregate a series of acquisitions or disposals by the Group and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing subject to the requirements for new applicants as set out in the GEM Listing Rules.

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COMPETING INTERESTS

None of the business or interest of the Directors, Initial Management Shareholders, Substantial Shareholders and their respective associates competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDER, INITIAL MANAGEMENT SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

Shareholders	Date of initial entry	Number of Domestic Shares held immediately before the Share Offer	Percentage shareholding immediately before the Share Offer	Approximate total cost of investment (RMB)	Number of Domestic Shares held immediately after the Share Offer	Percentage shareholding immediately after the Share Offer	Approximate average cost of investment per Domestic Share (RMB)	Lock-up period under the GEM Listing Rules commencing from the Listing Date
Substantial Shareholder, Significant Shareholder and Initial Management Shareholder								
Chaoyang Auxillary	01-Nov-04	183,969,808	74.60	183,969,808	171,969,808	46.91	0.96	12 months
Initial Management Shareholder								
Wei Tingzhan	01-Nov-04	1,417,237	0.57	1,417,237	1,417,237	0.39	0.96	6 months
Li Jianwen	01-Nov-04	1,354,712	0.55	1,354,712	1,354,712	0.37	0.96	6 months
Li Chunyan	01-Nov-04	208,417	0.09	208,417	208,417	0.06	0.96	6 months
	01-Nov-04	187,575 ⁽¹⁾	0.08	180,000	187,575 ⁽¹⁾	0.05		6 months
Liu Yuejin	01-Nov-04	375,151 ⁽²⁾	0.15	360,000	375,151 ⁽²⁾	0.10		6 months
Gu Hanlin	01-Nov-04	1,417,237	0.57	1,417,237	1,417,237	0.39	0.96	6 months
Li Shunxiang	01-Nov-04	5,210,428	2.11	5,210,428	5,210,428	1.42	0.96	12 months
Chen Limin	01-Nov-04	833,669	0.34	833,669	833,669	0.23	0.96	6 months
Zhao Weili	01-Nov-04	917,035	0.37	917,035	917,035	0.25	0.96	6 months
Gao Jingsheng	01-Nov-04	833,669	0.34	833,669	833,669	0.23	0.96	6 months
Significant Shareholder								
Shanxi Trust	01-Nov-04	26,635,710	10.80	26,635,710	26,635,710	7.27	0.96	6 months

⁽¹⁾ These 187,575 Domestic Shares are trust property held by Shanxi Trust and the beneficiary is Li Chunyan, an executive Director.

⁽²⁾ These 375,151 Domestic Shares are trust property held by Shanxi Trust and the beneficiary is Liu Yuejin, an executive Director.

SUBSTANTIAL SHAREHOLDER, INITIAL MANAGEMENT SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDER

So far as the Directors are aware, immediately following completion of the Share Offer (being after the time when the right to exercise the Over-allotment Option lapses) (and assuming that the obligations of the Underwriters to subscribe and/or purchase, and/or procure the subscription and/or purchase of, Shares under the Underwriting Agreement will terminate on the Listing Date and none of the Underwriters is required to subscribe and/or purchase, and/or procure the subscription and/or purchase of Shares thereunder on or prior to the Listing Date), the person (other than a Director or the Chief executive of the Company, and without taking account of the Shares to be issued pursuant to any exercise of the Over-allotment Option) who will have interests or short positions in the Shares or underlying shares of the Company which will be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company will be as follows:–

Name	Capacity	Number of Domestic Shares held immediately after the Share Offer	Approximate percentage of shareholding in the same class of shares in the Company (assuming the Over-allotment Option is not exercised)	Approximate percentage of shareholding in the entire issued share capital of the Company (assuming the Over-allotment Option is not exercised)
Chaoyang Auxillary	Beneficial owner (Long position)	171,969,808	73.30%	46.91%
Shanxi Trust	Trustee (Long position)	26,635,710	11.35%	7.27%

Save as disclosed above, the Directors are not aware of any person (other than a Director or the Chief executive of the Company, and without taking account of the Shares to be issued pursuant to any exercise of the Over-allotment Option) who, immediately following completion of the Share Offer, will have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

The Company (on behalf of Chaoyang Auxillary) is initially offering a total of 12,000,000 H Shares (which shares are held by Chaoyang Auxillary but have been allocated by the SASAC to the NSSF Council) for sale as part of the Share Offer. Chaoyang Auxillary (in its capacity as aforesaid) may sell up to an additional 1,800,000 H Shares if the Over-allotment Option is exercised in full. The sale of the Sale H Shares by Chaoyang Auxillary for the NSSF Council has been approved and authorised by SASAC and the NSSF Council. SASAC has also approved the allocation of the Sale H Shares to the NSSF Council and, pursuant to the NSSF Council's authorisation given to the Company, the Sale H Shares are being sold by Chaoyang Auxillary (acting through the Company) on behalf of the NSSF Council.

SUBSTANTIAL SHAREHOLDER, INITIAL MANAGEMENT SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

As at the date of this prospectus, Chaoyang Auxillary holds an aggregate of 183,969,808 Domestic Shares (including the Sale H Shares which have been allocated to the NSSF Council for sale in the Share Offer pursuant to the approval of SASAC).

INITIAL MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Share Offer (but without taking account of the Shares to be issued pursuant to any exercise of the Over-allotment Option), the companies and individuals set out below are considered to be the Initial Management Shareholders.

Name	Capacity	Number of Domestic Shares held immediately after the Share Offer	Approximate percentage of shareholding (if the Over- allotment Option is not exercised)
Chaoyang Auxillary	Beneficial owner	171,969,808	46.91
Wei Tingzhan ⁽¹⁾	Personal	1,417,237	0.39
Li Jianwen ⁽¹⁾	Personal	1,354,712	0.37
Li Chunyan ⁽¹⁾⁽⁴⁾	Personal	208,417	0.06
	Beneficiary	187,575	0.05
Liu Yuejin ⁽¹⁾⁽⁵⁾	Beneficiary	375,151	0.10
Gu Hanlin ⁽²⁾	Personal	1,417,237	0.39
Li Shunxiang ⁽²⁾	Personal	5,210,428	1.42
Chen Limin ⁽³⁾	Personal	833,669	0.23
Zhao Weili ⁽⁶⁾	Personal	917,035	0.25
Gao Jingsheng ⁽⁶⁾	Personal	833,669	0.23

1. Each of Wei Tingzhan, Li Jianwen, Li Chunyan and Liu Yuejin is a Director.
2. Each of Gu Hanlin and Li Shunxiang is a non-executive Director.
3. Chen Limin is the chief financial officer of the Company.
4. The 187,575 Domestic Shares are trust property held by Shanxi Trust for Li Chunyan.
5. The 375,151 Domestic Shares are trust property held by Shanxi Trust for Liu Yuejin.
6. Each of Zhao Weili and Gao Jingsheng is the Deputy General Manager of the Company.

SUBSTANTIAL SHAREHOLDER, INITIAL MANAGEMENT SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

SIGNIFICANT SHAREHOLDER

So far as the Directors are aware, immediately after the completion of the Share Offer (being after the time when the right to exercise the Over-allotment Option lapses) (but without taking account of the Shares to be issued pursuant to any exercise of the Over-allotment Option), the person (apart from the Initial Management Shareholders) who will directly or indirectly be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company will be as follows:–

Name	Capacity	Number of Domestic Shares held immediately after the Share Offer	Approximate percentage of shareholding in the same class of shares in the Company (assuming the Over-allotment Option is not exercised)	Approximate percentage of shareholding in the entire issued share capital of the Company (assuming the Over-allotment Option is not exercised)
Shanxi Trust	Trustee	26,635,710	11.35%	7.27%

RESTRICTIONS ON DISPOSAL OF SHARES

Under Rule 13.16(2) of the GEM Listing Rules, every Initial Management Shareholder shall undertake to the Company and the Stock Exchange that for a period (i) commencing on the date of this prospectus and ending on the date falling 12 months from the Listing Date, or (ii) where that Initial Management Shareholder's Relevant Securities represent no more than 1% of the issued share capital of the Company as at the Listing Date, commencing on the date of this prospectus and ending on the date falling six months from the Listing Date, he/she/it will not (a) dispose of (nor enter into any agreement to dispose of) nor permit the registered holder of the Relevant Securities to dispose of (or to enter into any agreement to dispose of) any of his/her/its direct or indirect interests in his/her/its Relevant Securities; or (b) otherwise create (nor enter into any agreement to create) nor permit the registered holder of the Relevant Securities to create (or to enter into any agreement to create) any options, right, interests or encumbrances in respect of any such interest.

Under Rule 13.17(2) of the GEM Listing Rules, every Significant Shareholder shall undertake with the Company and the Stock Exchange, it will not, for a period commencing on the date of this prospectus and ending on the date falling six months from the Listing Date, (a) dispose of (nor enter into any agreement to dispose of) nor permit the registered holder of the Relevant Securities to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interests in its Relevant Securities; or (b) otherwise create (nor enter into any agreement to create) nor permit the registered holder of the Relevant Securities to create (or to enter into any agreement to create) any options, right, interests or encumbrances in respect of any such interest.

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The periods during which the Initial Management Shareholders and Significant Shareholders cannot dispose of their Relevant Securities and other related details are set out in the paragraph headed “Substantial Shareholder, Initial Management Shareholders and Significant Shareholders” above in this section.

Under Rules 13.16(1) and 13.17(1) of the GEM Listing Rules, every Initial Management Shareholder and Significant Shareholder shall, during the relevant moratorium periods specified under those rules, place their Relevant Securities under escrow arrangements. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in respect of the compliance with such escrow arrangements requirements under the GEM Listing Rules. Further details are set out in the section headed “Waivers from compliance with the GEM Listing Rules” in this prospectus.

Moreover, as the Domestic Shares held by the Initial Management Shareholders and Significant Shareholders are in issue before the Share Offer and, under the relevant laws and regulations of the PRC, such Shares held by each of the Initial Management Shareholders and Significant Shareholders (being relevant securities for the purposes of Rules 13.16(1) and 13.17(1)) are subject to Article 142 of the Company Law, which provides that the shares of a joint stock limited liability company established under the Company Law held by promoters shall not be transferable within one year after the establishment of such company. The shares of a company in issue prior to a public offer of shares shall not be transferable within one year after the stock of such company is listed on a stock exchange.