

## SHARE CAPITAL

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As at the Latest Practicable Date, the share capital of the Company was as follows:

	Number of Shares	<i>RMB</i>	Approximate percentage of total share capital
Domestic Shares, nominal value of RMB1.00 each in issue	<u>246,620,000</u>	<u>246,620,000</u>	<u>100.00</u>

The share capital of the Company, issued and to be issued, fully-paid or credited as fully-paid, immediately after the completion of the Share Offer (assuming the Over-allotment Option is not exercised) will be as follows:

	Number of Shares	<i>RMB</i>	Approximate percentage of total share capital
Domestic Shares, nominal value of RMB1.00 each in issue <sup>(1)</sup>	234,620,000	234,620,000	64.00
H Shares, nominal value of RMB1.00 each to be issued <sup>(2)</sup>	<u>132,000,000</u>	<u>132,000,000</u>	<u>36.00</u>
	<u>366,620,000</u>	<u>366,620,000</u>	<u>100.00</u>

In the event that the Over-allotment Option is exercised in full, the share capital of the Company will be as follows:

	Number of Shares	<i>RMB</i>	Approximate percentage of total share capital
Domestic Shares, nominal value of RMB1.00 each in issue <sup>(1)</sup>	232,820,000	232,820,000	60.53
H Shares, nominal value of RMB1.00 each to be issued <sup>(2)</sup>	<u>151,800,000</u>	<u>151,800,000</u>	<u>39.47</u>
	<u>384,620,000</u>	<u>384,620,000</u>	<u>100.00</u>

*Notes:*

- (1) The total number of Domestic Shares presented is exclusive of the Sale H Shares.
- (2) The total number of H Shares issued includes the Sale H Shares.

### **Minimum public float**

Under the GEM Listing Rules, as the Company will have both Domestic Shares and H Shares in issue after the Listing, the minimum level of public float to be maintained by the Company at all times after Listing is 25% of its share capital in issue from time to time, and the Company would be considered as having met the minimum public float requirement if the aggregate of the H Shares in issue and such other securities held by the public would amount to 25% of the then-issued share capital of the Company, and the percentage of H Shares in public hands shall be not less than 10% of the Company's issued share capital, with all such H Shares being held by the public.

### **Ranking**

Domestic Shares and H Shares are all ordinary shares in the share capital of the Company. However, unless otherwise approved by relevant authorities, H Shares cannot be subscribed for by or traded between legal or natural persons of China. Domestic Shares, on the other hand, can only be subscribed for by, and traded between, legal or natural persons of the PRC or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in RMB. All dividends in respect of H Shares are to be paid by the Company in HK\$ whereas all dividends in respect of Domestic Shares are to be paid by the Company in RMB.

### **Transfer of Domestic Shares for listing and trading on overseas stock exchange**

All of the existing Promoter Shares are owned by the Promoters, except those Promoter Shares which have been allocated to the NSSF Council for sale under the Share Offer as Sale H Shares. Pursuant to the applicable laws and regulations, the Promoter Shares were not permitted to be disposed of within a period of one year from the Effective Date. This period expired on 31 October 2005. Other than the Sale H Shares and any further State-owned Domestic Shares that may be converted into H Shares pursuant to the exercise of the Over-allotment Option under the Share Offer, no arrangement has been made for the Promoter Shares to be traded or dealt with on any stock exchange or authorised trading facility in Hong Kong or the PRC.

According and subject to the stipulations by the State Council securities regulatory authority and the Articles of Association, the Domestic Shares may be transferred to overseas investors, and, subject to the following, such transferred shares may be listed or traded on an overseas stock exchange:

- (i) the transfer and trading of such transferred shares shall have duly completed any requisite internal approval process and obtained the approval from the relevant PRC regulatory authorities, including the CSRC; such transfer and trading shall in all respect comply with the regulations prescribed by the State Council securities regulatory authority;
- (ii) such transfer and trading shall in all respect comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange, but the listing or trading of such shares on an overseas stock exchange (including, without limitation, GEM) are not subject to the approval of a class meeting of Shareholders;

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- (iii) In the event that the Domestic Shares are to be transferred to overseas investors and to be traded as H Shares on GEM, such transfer and conversion will need to obtain the approval of the relevant PRC regulatory authorities, including the CSRC. The listing of such converted shares on GEM will also need to obtain the approval of the Stock Exchange. Any application for listing of the converted shares on GEM after this initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed transfer. An application for listing of such shares on GEM will be made to the GEM Listing Committee and subject to such conditions as the GEM Listing Committee may require. The Company can apply for the listing of all or any portion of the Domestic Shares on GEM as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Stock Exchange and delivery of such shares for entry on the H Share register; any listing of additional shares after this initial listing on GEM is ordinarily considered by the Stock Exchange to be an administrative matter. No application for the listing of such Domestic Shares on GEM has been made at the time of this initial listing on GEM;
- (iv) the relevant Domestic Shares being removed from the relevant shareholder records of the Company (subject to and in accordance with the requirements of the then prevailing PRC law) and registered in the register of shareholders of the Company created for the purpose of complying with the requirements of the relevant stock exchange. In the event that the Domestic Shares are to be transferred to overseas investors and to be traded as H Shares on GEM, after all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares will be withdrawn from the PRC share register of the Company and will be re-registered on the Company's H Share register maintained in Hong Kong and the Company's Hong Kong share registrar will be instructed to issue H Share certificates for such shares. Listing of such converted shares on GEM will also be on the condition that (a) the Company's Hong Kong share registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (b) the admission of the converted shares to trade on GEM will comply with the GEM Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on the Company's H Share register, such shares will not be listed as H Shares. Insofar as the Company is aware, none of the Company's Promoters proposes to convert any of their Domestic Shares into H Shares, except for the Sale H Shares and any further State-owned Domestic Shares that may be converted into H Shares pursuant to the exercise of the Over-allotment Option under the Share Offer;
- (v) in the event that the relevant stock exchange operates a scripless share trading system similar to CCASS and the holder of the relevant shares elect to deposit his shares in such system for trading, such shares may need to be registered under the name of, and represented by the global certificate issued to, the nominee of such trading system.

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Except as described above, and in relation to the despatch of notices and financial reports to shareholders, dispute resolution, registration of shares in different parts of the register of shareholders, the method of share transfer and the appointment of dividend-receiving agents, all as provided for in the Articles of Association and summarised in Appendix IV to this prospectus, the Domestic Shares and the H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. The transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

### ISSUING MANDATE

At the temporary meeting of the Company held on 30 March 2006, a special resolution was passed to grant the Board a general mandate to issue Domestic Shares and/or H Shares of the Company (other than pursuant to the Share Offer), the details of which are as follows:

- (1) the Board has been granted, during the Relevant Period (as defined below), an unconditional general mandate to separately or concurrently issue, allot and deal with additional Domestic Shares and/or H Shares of the Company, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
  - (a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options which may require the exercise of such powers after the end of the Relevant Period; and
  - (b) the aggregate nominal amount of the Domestic Shares or H Shares of the Company allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board otherwise than pursuant to a Rights Issue (as defined below) or any option scheme or similar arrangement or any separate approval of the shareholders of the Company, shall not exceed 20% of the aggregate nominal amount of the Domestic Shares and H Shares, respectively, of the Company in issue after the completion of the Share Offer but before the exercise of the Over-allotment Option and the Board will only exercise its power under such mandate in accordance with the Company Law and the GEM Listing Rules (as amended from time to time) and only if all necessary approvals from the CSRC, the Stock Exchange and/or other relevant PRC and/or Hong Kong authorities are obtained;

“Relevant Period” means the period from the passing of the special resolution until the earliest of: (i) the conclusion of the next annual general meeting of the Company following the passing of the special resolution; or (ii) the expiration of the 12-month period following the passing of the special resolution; or (iii) the date on which the authority sets out in the special resolution is revoked or varied by a special resolution of the Shareholders in a general meeting; and

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“Rights Issue” means the allotment or issue of Shares in the Company or other securities which would or might require Shares in the Company to be allotted and issued pursuant to an offer made to all the Shareholders of the Company (excluding for such purpose any Shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place) entitled to such offer, pro rata (apart from fractional entitlements) to their holdings of Shares;

- (2) contingent on the Board resolving to issue Shares pursuant to paragraph (1) above, the Board has been authorized to approve, execute and do or procure to be executed and done, all such documents, deeds, and things as it may consider necessary in connection with the issue of such Shares, including, without limitation, determining the time and place of issue, making all necessary applications to the relevant authorities, entering into underwriting agreements (or any other agreements), determining the use of proceeds and making all necessary filings and registrations with the relevant PRC, Hong Kong and other relevant authorities, including but not limited to registering or making filing of the increased capital of the Company with the relevant authorities in the PRC and/or Hong Kong as a result of the issuance of Shares pursuant to paragraph (1) above; and
- (3) the Board has been authorized to make amendments to the Articles of Association to increase the share capital of the Company and reflect the new capital structure of the Company upon the allotment and issuance of Shares of the Company as contemplated in paragraph (1) above.