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## **SUBSTANTIAL AND CONTROLLING SHAREHOLDERS**

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### **RELATIONSHIP WITH CHAOYANG AUXILLARY**

Chaoyang Auxillary is the controlling shareholder of the Company, holding approximately 44.24% of the Company's issued shares as at the Latest Practicable Date.

Chaoyang Auxillary is a state-owned enterprise founded in 1992 with a registered capital of RMB319,895,000. 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 Introduction will be subject to the provisions of the Main Board Listing Rules. Pursuant to the Main Board 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 Main Board 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 Main Board Listing Rules.

### **COMPETING INTERESTS**

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

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### SUBSTANTIAL SHAREHOLDER

So far as the Directors are aware, as at the Latest Practicable Date, the persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were 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, were as follows:-

Name	Capacity	Number of Shares	Approximate percentage of Domestic Shares	Approximate percentage of H Shares	Approximate percentage of total registered capital
Chaoyang Auxillary	Beneficial owner	170,169,808	73.09%	-	44.24%
Shanxi Trust	Trustee <sup>(1)</sup>	26,635,710	11.44%	-	6.93%
UOB Asset Management Limited	Investment Manager	20,528,000	-	13.52%	5.34%
Fidelity International Limited	Investment Manager	8,667,000	-	5.71%	2.25%

- (1) These 26,635,710 Domestic Shares are trust property held by Shanxi Trust and the beneficiaries are 122 employees and officers of the Company.

Save as disclosed above, the Directors are not aware of any person (other than a Director or the chief executive of the Company) who, as at the Latest Practicable Date, had 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 was 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.