

SHARE CAPITAL

As of the date of this prospectus, our share capital is as follows:

	Number of shares of RMB 1.00 each	% of total
Domestic shares held by our promoters ⁽¹⁾⁽²⁾	166,842,297,904	85.899%
Unlisted foreign shares held by Bank of America and AFH ⁽³⁾	27,387,952,096	14.101%
Total share capital	194,230,250,000	100%

- (1) The PRC Company Law generally prohibits promoters of a joint stock limited company from transferring their shares within three years after the establishment of the company. Our promoters have been exempted from such lock-up requirements by the State Council in connection with the approval of our listing on the Hong Kong Stock Exchange. We have been advised by our PRC legal counsel, Commerce & Finance Law Offices, that Article 85 and Article 155 of the PRC Company Law authorizes the State Council to enact special regulations in connection with companies offering and listing their shares overseas, and accordingly the exemption from the lock-up requirements granted by the State Council pursuant to this provision is legal and valid under PRC law.
- (2) The domestic shares currently held by our promoters will be converted into H shares, which will be listed on the Hong Kong Stock Exchange, upon completion of the Global Offering. According to the PRC Securities Law and our articles of association, the conversion of our domestic shares currently held by our promoters into H shares requires the approval of our shareholders in a general meeting and is subject to the approval of the CSRC. The conversion of our domestic shares currently held by our promoters into H shares was approved by our shareholders in a general meeting on June 5 and June 6, 2005. We have also obtained the approvals of the State Council and the CSRC in respect of such conversion on June 9, 2005 and September 20, 2005 respectively. We have been advised by our PRC legal counsel, Commerce & Finance Law Offices, having received the relevant approval from the CSRC for the conversion of our domestic shares currently held by our promoters into H shares, such conversion is legal and valid under the PRC law.
- (3) The unlisted foreign shares currently held by Bank of America and AFH will be converted into H shares, which will be listed on the Hong Kong Stock Exchange, upon completion of the Global Offering. According to the PRC Securities Law and our articles of association, the conversion of our unlisted foreign shares currently held by Bank of America and AFH into H shares requires the approval of our shareholders in a general meeting and is subject to the approval of the CSRC. The conversion of our unlisted foreign shares currently held by Bank of America and AFH into H shares was approved by our shareholders in a general meeting on June 5 and June 6, 2005. We have also obtained the approvals of the State Council and the CSRC on June 9, 2005 and September 20, 2005 respectively. We have been advised by our PRC legal counsel, Commerce & Finance Law Offices, that, having received the relevant approval from the CSRC for the conversion of our unlisted foreign shares currently held by Bank of America and AFH into H shares, such conversion is legal and valid under the PRC law.

Immediately after completion of the Global Offering, and assuming the over-allotment option is not exercised and an offer price of HK\$2.15, which is the mid-point of our indicative offer price range, our share capital will be as follows:

	Number of H shares of RMB 1.00 each	% of total
H shares converted from domestic shares, held by our promoters	166,842,297,904	75.591%
H shares held by Bank of America	19,289,022,346	8.739%
H shares held by AFH	13,519,369,750	6.125%
H shares held by investors under the Global Offering (other than Bank of America and AFH)	21,065,504,000	9.545%
Total share capital	220,716,194,000	100%

SHARE CAPITAL

Immediately after completion of the Global Offering, and assuming the over-allotment option is exercised in full and an offer price of HK\$2.15, which is the mid-point of our indicative offer price range, our share capital will be as follows:

	Number of H shares of RMB 1.00 each	% of total
H shares converted from domestic shares, held by our promoters	166,842,297,904	74.255%
H shares held by Bank of America	19,289,022,346	8.585%
H shares held by AFH	13,519,369,750	6.017%
H shares held by investors under the Global Offering (other than Bank of America and AFH)	25,038,394,000	11.143%
Total share capital	224,689,084,000	100%

Ranking

Domestic shares, unlisted foreign shares and H shares are ordinary shares in the share capital of our company ranking pari passu with the same rights and benefits. In addition, under our articles of association, all shareholders holding ordinary shares of our company, regardless of whether they are domestic shares, unlisted foreign shares or H shares, equally enjoy the rights and assume the obligations stipulated in our articles of association. With the approval of the State Council, domestic shares held by our promoters and our unlisted foreign shares held by Bank of America and AFH will be converted into H shares upon completion of the Global Offering and will be listed on the Hong Kong Stock Exchange. The H shares converted from our domestic shares will be “overseas listed shares” of our company, will continue to be held by our promoters, and are permitted to be transferred to Huijin and foreign investors. In addition, Huijin has been permitted to buy our H shares from other promoters or from the public market. The H shares converted from our unlisted foreign shares and the H shares to be issued under the Global Offering will be “overseas listed foreign capital shares” of our company. Our overseas listed shares and overseas listed foreign capital shares constitute a single class of our H shares, and will rank pari passu in all respects with each other and in particular, will rank equally for all dividends and other distributions declared, paid or made after the date of this prospectus. All dividends in respect of H shares are to be paid by us in Hong Kong dollars (other than dividends in respect of the H shares held by our promoters, which are to be paid by us in Renminbi). However, the H shares to be issued under the Global Offering may only be subscribed for and traded in Hong Kong dollars. We have been advised by our PRC legal counsel, Commerce & Finance Law Offices, that these arrangements have been approved by the State Council, are consistent with the PRC Company Law and Mandatory Provisions for Articles of Association of Companies to be Listed Overseas promulgated by the Securities Commission of the State Council and the State Restructuring Commission in 1994, and are legal and valid.

Contribution to the National Social Security Fund

According to relevant PRC government requirements, shareholders who hold state-owned shares are generally required to sell their holdings in the amount of 10% of the offering in any overseas public offering and remit the proceeds to the National Social Security Fund. With the approval of the State Council, our shareholders who hold state-owned shares will make contributions to the National Social Security Fund by remitting dividends received from us instead of selling their state-owned shares. The arrangements relating to such remittance of dividends has been approved by the MOF. Under the relevant MOF approval, until the end of the second full calendar year after completion of our Global Offering, we are required to ensure that our shareholders who hold state-owned shares receive sufficient dividends from us to enable them to satisfy their requirement to contribute to the National Social Security Fund. When we make annual dividend distributions, we are required to assist our shareholders in using their dividends first to make contributions to the National

SHARE CAPITAL

Social Security Fund before using them for any other purposes, or to withhold the amount of their contributions and remit such amount directly to the National Social Security Fund on their behalf. Pursuant to the relevant MOF approval, our shareholders who hold state-owned shares are required to contribute an amount equal to 10% of the funds raised by us in any overseas public offering, which, according to our current estimate is substantially less than the expected dividends to be distributed to such shareholders within the relevant period. Therefore, we do not expect such contribution will have any impact on our dividend policy.

PUBLIC FLOAT

Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, and must have an expected market capitalization at the time of listing of not less than HK\$50 million.

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion, and the Hong Kong Stock Exchange has agreed to exercise its discretion, pursuant to Rule 8.08(1)(d) of the Hong Kong Listing Rules to permit a lower public float percentage of our company subject to the following conditions, as the case may be:

(a) Prior to the exercise of the call option granted to Bank of America by Huijin

Prior to the exercise of the Bank of America option such that our shares held by Bank of America will be treated as part of the public float under the Hong Kong Listing Rules, our bank shall have a minimum public float percentage of not less than the higher of:

- (i) 24.4%; and
- (ii) the percentage of our shares held by the public (including shares held by Bank of America and Temasek and/or its affiliates) immediately after the exercise, if any, of the over-allotment option.

(b) Following the exercise of the Bank of America option

Following the exercise of the Bank of America option, to the extent that our shares held by Bank of America will not be treated as part of the public float under the Hong Kong Listing Rules, our bank shall have a minimum public float percentage of not less than the higher of:

- (i) 15.3%; and
- (ii) the percentage of our shares held by the public (including shares held by Temasek and/or its affiliates and shares issued to the public, if any, pursuant to the over-allotment option) immediately after the exercise of the Bank of America option to the extent that shares then held by Bank of America will no longer be treated as part of the public float.

In addition, we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus and confirm sufficiency of public float in successive annual reports of our company after listing in full compliance with Rule 8.08(1)(d) of the Hong Kong Listing Rules.