

This appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in Appendix VI to this prospectus. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Stock Exchange for inclusion in the articles of association of PRC issuers.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and comprises of laws, rules, regulations, directives, laws of the Special Administrative Regions and laws resulting from international treaties entered into by the PRC Government. Court case verdicts do not constitute binding precedents.

The National People's Congress (the "NPC") is the highest organ of State power. Its permanent body is the Standing Committee of the NPC. The NPC and its Standing Committee exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing civil and criminal matters, State agencies and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue regulations within the jurisdiction of their respective departments. All administrative rules, regulations, decisions and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. If a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the congress of province, autonomous region and municipality directly under the central government (the provincial and municipal congresses) and their respective standing committees may enact local rules and regulations and the People's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council may also enact or issue rules, regulations or directives within authorization by the NPC and the Standing Committee of the NPC for experimental purposes. After gaining sufficient experience with experimental measures, the State Council shall submit legislative proposals to be considered by the NPC and the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on the application of laws and acts in judicial proceedings. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret local laws is vested in the regional legislative and administrative bodies which promulgate such laws.

PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts and other binding legal documents, the judicial system is made up of the Supreme People's Court, the local People's courts, military courts and other special People's courts. The local People's courts comprise the basic People's courts, the intermediate People's courts and the higher People's courts.

The basic People's courts are generally organized into civil, criminal and administrative divisions. The organization of the higher People's Courts and the intermediate People's courts are similar with the basic People's Courts and could establish other special divisions as circumstances demand, such as intellectual property division. The higher level People's courts supervise the basic and intermediate People's courts. The Supreme People's Court is the highest judicial body in the PRC. It supervises the adjudicative work of the local People's courts and special People's courts.

The People's courts employ a "second instance as final" appellate system regarding civil disputes. A party may appeal against a judgment or order of the People's court of first instance to the People's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a People's court at a higher level finds an error in a judgment which has been given in any People's court at a lower level, or the presiding judge of a People's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (the "Civil Procedure Law"), which was adopted on April 9, 1991, sets out the criteria for instituting a civil action, the jurisdiction of the People's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the place where the defendant resides. The parties to a contract may, by written agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a People's court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the People's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement.

If at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other institutions, the time limit is six months.

A party seeking to enforce a judgment or order of a People's court against a party who is not located within the PRC or does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the People's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant

foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the People's court finds that the recognition and enforcement of such judgment or ruling will result in a violation of the sovereignty of the PRC, or security, or for reasons of social and public interests.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

As a joint stock limited liability company incorporated in the PRC, and seeking a listing on the Stock Exchange, we are primarily subject to the following three PRC laws and regulations:

- The Company Law, which was promulgated by the Standing Committee of the NPC on December 29, 1993, took effect on July 1, 1994 and was revised on December 25, 1999, August 28, 2004 and October 27, 2005;
- Special provision of the State Council concerning the Flotation and Listing Abroad of Stocks by Limited Stock Company (the "Special Regulations"), which were passed by the State Council on August 4, 1994; and
- The Mandatory Provisions Regarding Companies Listing Overseas (the "Mandatory Provisions"), which were jointly promulgated by the Securities Committee of the State Council and the State Restructuring Commission on August 27, 1994, and which we, as a joint stock limited liability company seeking an overseas listing, must incorporate into our Articles of Association.

Set out below is a summary of the provisions of the Company Law, the Special Regulations and the Mandatory Provisions applicable to us.

Incorporation

A company limited by shares may be incorporated by a minimum of two and a maximum of two hundred promoters, and at least half of the promoters must have domicile within the PRC. We were incorporated under the Company Law as a joint stock limited liability company. This means that we are a legal entity and that our registered capital is divided into Shares of equal par value. The liability of our Shareholders is limited to the amount of shares held by them and we are liable to our creditors for an amount equal to the total value of our assets.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total shares issued by the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant administration bureau for industry and commerce.

A company's promoters shall be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Registered Capital

Our registered capital is equal to the amount of our paid-in capital as recorded at the Administration of Industry and Commerce. According to the Company Law, where a joint stock limited company is established by promotion, its registered capital equals to the total capital stock subscribed by all promoters as registered in the company registration authority. The minimum amount of initial capital contributions to be made by all promoters shall be not less than 20% of the total registered capital, while the remaining amount shall be paid by the promoters within 2 years from the day when the company is established. For investment companies, the remaining amount shall be paid within 5 years. The minimum registered capital of a joint stock limited liability company is RMB5,000,000.

Allotment and Issue of Shares

All of our share issues are based on the principles of equality and fairness. The same class of shares must carry equal rights. For each share issue of the same class, the terms and the subscription price must be identical. We may issue shares at par value or at a premium, but we may not issue shares below the par value. We must obtain the approval of the CSRC to offer our shares to the overseas public. Under the Special Regulations, upon approval of the CSRC, the company may agree, in the underwriting agreement with respect to an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

Registered or Bearer Shares

The promoters may make capital contributions in cash, in kind of injection of assets, intellectual property rights, land use rights or any other properties which could be legally transferred and be appraised in cash based on their appraised value. The amount of investment made in cash may not be less than 30% of the registered capital of the company. Shares that we issue to foreign investors and shares that are listed overseas must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Shares that are purchased by investors from overseas including Hong Kong, Macau and Taiwan and listed in Hong Kong are known as "overseas listed foreign shares". Within the PRC, all shares that we issue to a promoter or legal person must be in registered form. Shares that we issue to the public in China, however, may be in either registered or bearer form.

We are required to maintain a register of Shareholders for all Shares issued in registered form. Information such as our Shareholders' particulars, number of Shares held by each Shareholder and the dates on which the Shareholders become holders of the relevant Shares are required to be entered into the register.

We are also required to record the amount of bearer shares issued, the number designated to each bearer share and the date of issue of each bearer share.

Increase of Share Capital

We may increase our share capital by issuing new Shares with approval by our Shareholders at a general meeting on the following things:

- number and types of the new Shares;
- offer price;
- commencing and ending date of the new offering; and
- number and types of new Shares to be offered to existing Shareholders.

If we carry out a public offering of Shares as approved by the relevant securities administrative authority, we must publish a prospectus and financial report, and made a subscription book. After we complete a subscription of new Shares, we must register the increase in registered capital with the Administration of Industry and Commerce and issue a public notice.

Reduction of Share Capital

Subject to minimum registered capital requirements under the Company Law, we may reduce our registered capital in accordance with the following procedures:

- we must prepare a current balance sheet and a list of its assets;
- the reduction of registered capital is subject to approval by our Shareholders at a general meeting;
- once the resolution approving the reduction has been passed, we must inform our creditors of the reduction in capital within 10 days and publish an announcement of the reduction in a newspaper within 30 days;
- our creditors may, within the statutory prescribed time limit, require us to pay our debts or provide guarantees covering such debts; and
- we must register the reduction in registered capital with the Administration of Industry and Commerce, and we must obtain necessary approvals from all relevant supervisory authorities.

Repurchase of Shares

We may only repurchase our Shares to (i) reduce our registered share capital, (ii) to merge with another company that holds our Shares, (iii) to grant our Shares to employees as an encouragement or (iv) if Shareholders require us to do so, to vote against a resolution approving our merger or division. The Mandatory Provisions stipulate that we must act in accordance with our Articles of Association and that we must obtain necessary approvals from any relevant supervisory authorities. We may repurchase our Shares by making a general offer to our Shareholders, by purchasing our Shares on a stock exchange or by purchasing our Shares through an off-market contract.

If the repurchase of our Shares is carried out as a result of the above (i), we are required to cancel the portion of our Shares that have been repurchased within ten days; if the repurchase is caused by reason of above (ii) or (iv), we are required to transfer or cancel the portion of our Shares within six months. When we repurchase our Shares for the reason of above (iii), the Shares bought back by us shall not exceed 5% of our total issued Shares and shall be transferred to employees within one year.

Transfer of Shares

Our Shares may be transferred in accordance with any applicable laws and regulations, such as the Company Law and the Special Regulations.

Our Directors, Supervisors and senior officers must declare to us the Shares held by them and the changes thereof. During the term of office, the Shares transferred by any of them each year shall not exceed 25% of total Shares they hold. Any Shares that are held by the aforesaid persons shall not be transferred within one year from the day when the Shares are listed and traded on the Stock Exchange. Within half year after any of the aforesaid persons is removed from his or her post, he or she shall not transfer the shares.

The Company Law does not limit the shareholding percentage of an individual shareholder.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends according to the Company Law, unless otherwise provided by relevant laws.

Shareholders

Under the Company Law and the Mandatory Provisions, our Shareholders are entitled to the following rights:

- to attend and vote in person or to appoint a proxy to attend and vote on his or her behalf at a general meeting;
- to receive dividends and distributable benefits in other forms in proportion to his or her shareholding;
- to inspect our Articles of Association, minutes of Shareholders' meetings and financial reports and to put forward proposals and to ask questions relating to our operations;
- to receive surplus assets of our Company upon our termination or liquidation in proportion to his or her shareholding; and
- any other Shareholders' rights specified in our Articles of Association.

The obligations of a Shareholder include (i) the obligation to abide by our Articles of Association, (ii) to pay the subscription monies in respect of the Shares subscribed for, (iii) to be liable for our debts and liabilities to the extent of the amount of Shares subscribed by such Shareholder and (iv) any of the Shareholders' obligations specified in our Articles of Association.

Our Shareholder's liability is limited to the amount of Shares each Shareholder holds.

Shareholders' General Meetings

Our Shareholders may exercise the following powers in a general meeting:

- determine our business policies and investment plans;
- elect or remove our Directors who are not employee representatives and fix the remuneration of our Directors;
- elect or remove our Supervisors who are not employee representatives and fix the remuneration of our Supervisors;
- consider and approve the reports of our Board and our Board of Supervisors;
- consider and approve our proposed annual financial budget and final accounts;
- consider and approve our profit distribution plan and plans for recovery of losses;
- approve an increase or reduction in our share capital;
- approve an issue of bonds;
- approve a merger, division, dissolution, liquidation or transformation;
- approve the appointment and removal of our auditors;
- consider and approve proposals submitted by shareholders holding 3% or more of our shares, separately and aggregately; and
- approve amendments to our Articles of Association.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. An annual general meeting must be held once every year. Our Board is required to convene an extraordinary general meeting of Shareholders within two months after the occurrence of any of the following circumstances:

- the number of Directors on our Board is less than two-thirds of the number required under the Company Law or our Articles of Association;
- our accumulated losses amount to one-third of the total paid-up share capital;
- upon a request by holders of not less than 10% of our Shares separately or aggregately; and
- our Board or our Board of Supervisors considers such a meeting necessary; or other circumstances stipulated in our Article of Association.

A Shareholders' general meeting is convened by our Board and presided over by the chairman of our Board. Under the Special Regulations and the Mandatory Provisions, we are required to give 45 days' notice of a Shareholders' general meeting and this notice must specify the matters to be considered and the date and place of the meeting. If we have bearer shares in issue, we must make a public announcement of the Shareholders' general meeting at least 45 days prior to the meeting being held. Under the Special Regulations and the Mandatory Provisions, Shareholders who plan to attend a Shareholders' general meeting are required to provide us with a written confirmation of their intentions 20 days prior to the meeting. Shareholders holding 3% or more of our total Shares separately or aggregately are entitled, under the Company Law, to submit written temporary proposals to be considered at the Shareholders' general meeting. The matters of such resolutions which should be discussed at Shareholders' general meeting ought to be included in the agenda of that meeting.

The Special Regulations and the Mandatory Provisions provide that a general meeting of our Shareholders may be held if Shareholders holding 50% or more of the voting rights in respect of all of our Shares have confirmed in writing 20 days prior to the proposed date of the meeting that they intend to attend the meeting. If this 50% minimum is not attained, a Shareholders' general meeting may only be held if, within five days after the deadline for confirming attendance, we notify the Shareholders by public announcement of the matters to be considered and the date and place of the meeting.

Each Shareholder present at a Shareholders' general meeting is entitled to one vote for each Share held. A Shareholder may appoint a proxy to attend and vote on his behalf at a Shareholders' general meeting. Ordinary resolutions proposed at a Shareholders' general meeting generally must be passed by more than half of the affirmative votes cast by Shareholders present in person or by proxy.

However, special resolutions and the following actions must be approved by no less two-thirds of the affirmative votes cast by Shareholders present in person or by proxy: (i) amendments to our Articles of Association; (ii) a merger, division, dissolution, liquidation or transformation; (iii) an increase or reduction of capital; (iv) the issue of any class of Shares, bonds and securities; (v) repurchase of our Shares; and (vi) other matters which the Shareholders' general meeting has passed by way of ordinary resolution as having a potential material effect on us as a company and should be approved by special resolution.

In the event of a variation or abrogation of the rights of a particular class of Shareholders, the Mandatory Provisions require us to hold a special class meeting. Holders of our Domestic Shares and holders of our H Shares are deemed to be different classes of Shareholders.

Board

A company shall have a board of directors, which shall consist of 5 to 19 members. Under the Company Law, the term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected. Under the Company Law, the board of directors may exercise the following powers:

- convene shareholders' meetings and report to the shareholders;
- implement resolutions passed by the shareholders' general meetings;

- decide on our business plans and investment plans;
- formulate proposed annual budgets and final accounts;
- formulate profit distribution plans and plans for recovery of losses;
- formulate plans for a merger, demerger, dissolution or transformation;
- formulate plans for the increase or decrease in our registered capital or plans for the issue of bonds;
- decide on our internal management structure;
- appoint or dismiss our managers, and at the recommendation of a manager, employ or dismiss deputy managers and financial controllers and to fix their remuneration; and
- formulate a management control system of the company.

In addition, the Mandatory Provisions provide that our Board is also responsible for formulating proposals for amending our Articles of Association.

Board Meetings

Under the Company Law, our Board is required to hold regular meetings at least twice every year. Notice of the regular board meetings is given at least 10 days before the date of the meeting. Our Board may determine the notice period and manner for extraordinary Board meetings.

The Mandatory Provisions require that more than half of our Directors must be present to convene a meeting. A Director may attend a Board meeting personally or may appoint another Director to attend on his behalf. All Board resolutions must be passed by the affirmative votes of half of our Directors or more. All resolutions passed at a Board meeting must be recorded in the minutes of the relevant meeting and the minutes must be signed by our Directors in attendance at the meeting. If a Board resolution contravenes any applicable laws or regulations or our Articles of Association or resolutions of Shareholders' general meeting and results in substantial damage to us as a company, our Directors who participated in passing the resolution (except those who voted against the resolution and whose dissenting vote was recorded in the relevant minutes) are personally liable to us.

Chairman of our Board

Our chairman is elected by a vote of our Board and must be approved by half of our Directors or more. The chairman is our legal representative and may exercise the following powers:

- preside over Shareholders' general meetings and convene and preside over our Board meetings;
- examine the implementation of resolutions of our Board; and
- sign share certificates and bonds issued by us.

Qualification of Directors

The Company Law provides that the following persons may not serve as one of our Directors:

- a person who is unable or has limited ability to undertake any civil liability;
- a person who has been convicted of an offence relating to bribery, corruption, appropriation of property, or the destruction of social economic order, where less than five years have elapsed since the date of completion of the sentence;
- a person who has been deprived of his political rights, where less than five years have elapsed since the completion of such deprivation;
- a person who is a Director, factory manager or manager of a company or enterprise that has become bankrupt and has been liquidated, and who is personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or enterprise that has had its business license revoked and this company or enterprise was ordered to terminate because of unlawful operations and who is personally responsible, where less than three years has elapsed since the date of such revocation;
- a person who is liable for a relatively large amount of debt which has not been repaid when due; or
- other circumstances under which a person is disqualified from acting as a Director are set out in our Articles of Association and the Mandatory Provisions.

Board of Supervisors

We are required to establish a board of supervisors comprised at least three members. The board of supervisors is responsible for the following matters:

- examining our financial affairs;
- supervising our Directors and senior management and dismissing Directors and senior management in violation of the relevant laws and regulations, our Articles of Association and resolutions passed at the Shareholders' meeting;
- requiring our Directors and senior officers to rectify any action which adversely affects our interests;
- proposing the convening of extraordinary general meetings of Shareholders;
- submitting proposals to the Shareholders' general meeting;
- filing a lawsuit against Directors or senior officers if the acts of the Directors or senior officers are in violation of laws, regulations or our Articles of Association; and
- carrying out other duties as specified in our Articles of Association.

Members of the board of supervisors include representatives elected by our workers and representatives elected by our Shareholders in a general meeting. Our Directors and management personnel may not serve as a Supervisor. The term of office for our Supervisors is three years and a Supervisor may serve consecutive terms if re-elected. The circumstances under which a person is disqualified from acting as a Director under the Company Law and the Mandatory Provisions also apply to a Supervisor.

Manager and Officers

Our Company is required to have a manager who is appointed, and may be removed, by our Board. Our manager is accountable to our Board and may exercise the following powers:

- take charge of production, business and administration of the company and implement resolutions of our Board;
- organize the implementation of our annual business and investment plans; draft plans for the establishment of the internal management structure;
- draft the basic administration system;
- formulate the concrete by-laws;
- recommend the appointment and dismissal of deputy managers and the financial controller and appoint or dismiss other administrative officers (other than those required to be appointed or dismissed by our Board); and
- other powers conferred by our Board or our Articles of Association.

The Special Regulations require our Company to employ other corporate officers, including a financial controller and company secretary.

The circumstances under which a person is disqualified from acting as a Director under the Company Law and the Mandatory Provisions also apply to our manager and other management personnel.

The articles of association of a company shall have binding effect on the company, shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to make claims regarding the company according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in our Articles of Association (a summary of which is set out in Appendix VIII to this prospectus).

Duties of Directors, Supervisors and Senior Management

Our Directors, Supervisors, managers and other senior management are required under the Company Law to comply with the relevant laws and regulations, to comply with our Articles of Association, and to bear duty of loyalty and duty of care to us. The Special Regulations and the Mandatory Provisions provide that our Directors, Supervisors, managers and other senior

management owe a fiduciary duty and a due diligence duty to us. Our Directors, Supervisors and senior management are also under a duty of confidentiality and are prohibited from divulging certain information unless required by applicable laws or regulations or by our Shareholders.

If a Director, Supervisor, senior management contravenes any law, regulation or our Articles of Association in the performance of his duties and such contravention results in a loss to us, the relevant individual will be held personally liable to us for such loss.

Finance and Accounting

We are required to establish a financial and accounting system which must comply with relevant laws and regulations as well as rules stipulated by the State Council and the Ministry of Finance.

We are also required to prepare financial statements at the end of each financial year. We are required to make our financial statements available for inspection by our Shareholders at least 20 days prior to our annual general meeting. We must also publish our financial statements by way of public announcement.

We are required by PRC laws and regulations to make the following transfers from our after-tax profit before we distribute any profits to our Shareholders:

- 10% of our after-tax profit must be transferred to our statutory surplus reserve, provided that no transfer is required if our accumulated statutory surplus reserve exceeds 50% of our registered capital;
- subject to our Shareholders' approval in a general meeting and after transfer of the requisite amount to the statutory surplus reserve, a discretionary amount from our after-tax profit may be transferred to the discretionary surplus reserve.

Any balance of the after-tax profit after making-up losses and transfers to the common reserve and general reserves may be distributed to our Shareholders in proportion to their respective shareholdings.

If the amount in our statutory surplus reserve fund is insufficient to make up for losses from the previous year, our profits in the current year must be applied to make up for such losses before we make allocations to the statutory surplus reserve fund.

Our common reserve consists of the statutory surplus reserve fund, discretionary surplus reserve and the capital reserve. Our capital common reserve is made up of the premium over the nominal value of our Shares. Other amounts required by the relevant financial authority of the State Council are to be treated as the capital reserve.

Our common reserve must be applied for the following purposes:

- to make up for any losses (except capital reserve);
- to expand our business operations; and

- to pay up our registered share capital by the issue of new Shares, provided that if the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion may not be less than 25% of our registered capital before such conversion.

Appointment and Retirement of Auditors

The Special Regulations require us to employ an independent PRC qualified firm of accountants to audit our annual financial statements and review certain other financial reports.

The auditors are to be appointed for a term commencing from their appointment at an annual general meeting to the close of the next annual general meeting.

If we remove or fail to renew the appointment of our existing auditors, we are required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before our Shareholders in a general meeting. If our auditors resign, they are obligated to make a statement to our Shareholders stating whether or not we have undertaken any inappropriate transactions. The appointment, removal or non-renewal of appointment of auditors is decided by our Shareholders at a general meeting and must be recorded with the CSRC.

Distribution of Profits

The Special Regulations provide that dividends and other distributions payable to holders of our H Shares must be declared and calculated in Renminbi and paid in a foreign currency. Under the Mandatory Provisions, the payment of dividends and other distributions in foreign currency to these Shareholders must be made through a receiving agent appointed by us for holders of H Shares.

Amendments to Articles of Association

Our Articles of Association may only be amended by an affirmative vote of not less than two-thirds of our Shareholders at a general meeting. An amendment to our Articles of Association will only take effect after we have obtained any necessary approvals from relevant regulatory and administrative agencies. If an amendment to our Articles of Association affects the information in our business registration, we must apply to the related government department to change the relevant details in the license.

Merger and Division

All mergers and divisions must be approved by an affirmative vote of not less than two-thirds of our Shareholders at a general meeting. We may also need to seek government approval for a merger or division. In the PRC, a merger may be effected either by way of absorption followed by the dissolution of the company being absorbed or by the establishment of a new entity followed by the dissolution of the original entities.

If our Shareholders approve a proposed merger at a general meeting, we are required to sign a merger agreement and to prepare our balance sheet and an inventory of assets under the Company Law. We must notify our creditors of the merger within 10 days after the resolution approving the merger has been passed and publicly announce the merger in newspapers within 30 days after the

resolution approving the merger has been passed. Our creditors are entitled, within a certain time period, to request us to repay any outstanding indebtedness or provide guarantees covering such indebtedness.

In the case of a division, we are likewise required to prepare our balance sheet and an inventory of assets, to notify our creditors and to make a public announcement.

Dissolution and Liquidation

Under the Company Law and Mandatory Provisions, we will be dissolved and liquidated if any of the following events occur:

- (i) our term of operations (if any) as stipulated in our Articles of Association has expired;
- (ii) the occurrence of any event in our Articles of Association which specifically triggers our dissolution;
- (iii) our Shareholders in a general meeting agree to our dissolution by special resolution;
- (iv) a merger or division that requires our dissolution;
- (v) the People's court rules to dissolve our Company pursuant to application of Shareholders holding not less than 10% of voting rights when we experience any serious difficulty in the operations or management so that the interests of the Shareholders will face heavy loss if our Company continues to exist and such difficulty cannot be resolved by any other means; and
- (vi) we have been ordered to close down as a result of a violation of the law or administrative regulations.

If we are dissolved in the circumstances referred to in (i), (ii), (iii), (v) or (vi) above, a liquidation committee must be organized within 15 days of the occurrence of the event. If the liquidation committee is not established within the specified time, our creditors may apply to the People's court to appoint the members of the liquidation committee.

The People's court will then organize a liquidation committee to conduct the liquidation.

Under the Company Law, a liquidation committee is required to notify our creditors of our dissolution within 10 days after its establishment and issue a public announcement of our dissolution within 60 days after its establishment. A creditor is required to lodge its claim with the liquidation committee within the statutory time limit.

The liquidation committee shall exercise the following powers during the liquidation period:

- sort out the company's assets and to prepare a balance sheet and an inventory of the assets; notify creditors or issue public notices;
- dispose of any unfinished businesses of the company related to the liquidation;
- pay all outstanding taxes and taxes arising from liquidation;

- clear off credits and debts; and
- deal with the surplus assets of the company after its debts have been paid off; and represent the company in civil lawsuits.

In the event of a dissolution, our assets will be applied to pay all expenses incurred in connection with the liquidation, employee wages, employees' insurance and statutory compensation, principals and interests of individual deposits, tax overdue and our general indebtedness. Any surplus assets will be distributed to our Shareholders in proportion to their respective shareholdings. If our assets are insufficient to repay or discharge our indebtedness, the liquidation committee will apply to the People's court for a declaration of insolvency and will transfer the liquidation proceedings to the People's court.

During liquidation, we will not be allowed to engage in any business operations irrelevant to liquidation.

Upon completion of the liquidation process, the liquidation committee is required to submit a liquidation report to our Shareholders in a general meeting or to the People's court for confirmation.

The liquidation committee is also required to apply to the Administration of Industry and Commerce for the cancellation of our registration and to make a public announcement of our dissolution following such cancellation.

Members of the liquidation committee are required to discharge their duties in good faith and compliance with laws. A member of the liquidation committee is liable to us and our creditors in respect of any loss arising from his deliberate intention or gross negligence.

Overseas Listing

We must obtain the approval of the CSRC to list our Shares overseas. An overseas listing of our Shares must comply with the Special Regulations.

According to the Special Regulations and the Mandatory Provisions, our Board must implement our plan to issue the H Shares within 15 months after the CSRC has approved our application.

Loss of Share Certificates

If a share certificate in registered form of our Domestic Shares is either lost, stolen or destroyed, the respective Shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a People's court for a declaration that such certificate will no longer be valid.

After obtaining the declaration, the Shareholder may apply to us for a replacement certificate.

A separate procedure regarding the loss of H Share certificates is provided for in the Mandatory Provisions, which has been incorporated into our Articles of Association, a summary of which is set out in Appendix VIII of this prospectus.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of our shares and disclosure of information by us.

On April 22, 1993, the State Council promulgated Provisional Regulations on the Management of the Issuing and Trading of Stocks (hereinafter called Securities Provisional Regulations). These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation and penalties and dispute settlement. According to these regulations, we must obtain the approval of the Securities Committee to offer our Shares outside the PRC. In addition, if we propose to issue Renminbi denominated ordinary Shares as well as special Renminbi denominated Shares, we must comply with the Securities Provisional Regulations.

On September 2, 1993, the Securities Committee promulgated the Provisional Measures Prohibiting Fraudulent Conduct Relating to Securities. The prohibitions imposed by these measures include the use of insider information in connection with the issuance of, or trading in, securities (insider information being defined to include undisclosed material information known to any insider, which may affect the market price of securities); the use of funds or information or through an abuse of power in creating a false or disorderly market or influencing the market price of securities or inducing investors to make investment decisions without knowledge of actual circumstances; and the making of any statement in connection with the issue of, and trading in, securities which is false or materially misleading, or in respect of which there is any material omission. Penalties imposed for contravening any of the provisions of the measures include fines, confiscation of profits and suspension of trading. In serious cases, criminal liability may be imposed.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies. These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited liability companies having domestic listed foreign shares.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004 and October 27, 2005 respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that we must obtain prior approval from the State Council's regulatory authorities to issue or list our Shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H Shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994 and became effective September 1, 1995. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to

arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the People's court will refuse to handle the case except when the arbitration agreement is void.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in our Articles of Association and, in the case of the Listing Rules, also in contracts with each of our Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of our H Shares and us; holders of our H Shares and our Directors, Supervisors, manager or other senior officers; or holders of our H Shares and holders of Domestic Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under our Articles of Association, the Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall comply with the arbitration. Disputes in respect of the definition of shareholders and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the People's court for enforcement. A People's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986.

The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce

foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND THE COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited liability company established in the PRC that is seeking a listing of H Shares on the Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited liability company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our Shareholders in a general meeting and the relevant PRC Governmental and regulatory authorities.

Under the Company Law, the shares subscribed for in the form of currency may not less than 30% of a joint stock limited company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares which are denominated and subscribed for in Renminbi may only be subscribed for or traded by the State, PRC legal persons, natural persons, Qualified Foreign Institutional Investors and qualified foreign strategic investors. Our H shares, which will be denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by Qualified Domestic Institutional Investors of China, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC.

Under the Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the day when the shares are listed and traded on the stock exchange. Shares in a joint stock limited company held by its directors, supervisors and senior managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company. Moreover, the shares they held in the company cannot be transferred within one year from the listing date of the shares, or within six months after such personnel leave the post. There are no such restrictions on shareholdings and transfer of shares under Hong Kong company law. See "Underwriting — Undertakings" for information relating to restrictions on transfer under the Listing Rules.

Financial Assistance for Acquisition of Shares

Although the Company Law does not prohibit or restrict us or our subsidiaries from providing financial assistance for the purpose of an acquisition of our shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in our Articles of Association, which are summarized in Appendix VIII of this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in our Articles of Association relating to the variation of those rights, then in accordance with those provisions.

We (as required by the Listing Rules and the Mandatory Provisions) have adopted in our Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in our Articles of Association as different classes, except where (i) the company issues and allots, either separately or concurrently in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the existing issued overseas listed shares and the domestic listed shares; (ii) the plan for the issue of domestic listed shares and overseas listed shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) the transfer by the promoters of our shares held by them to overseas listed shares upon receiving the approval of the CSRC or the authorized securities approval authorities of the State Council. The Mandatory Provisions contain detailed provisions relating to circumstances which are deemed to constitute a variation of class rights.

Directors

The Company Law, unlike Hong Kong company law, does not contain, other than connected transactions related, any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits, to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in our Articles of Association, a summary of which is set out in Appendix VIII.

Board of Supervisors

Under the Company Law, our directors and managers are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be our best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. Although the Company Law gives our Shareholders the right to initiate proceedings in the People's court to restrain the implementation of any resolution passed by our Shareholders in a general meeting, or by our Board, that violates any law, administrative rules or Articles of Association or if our Directors or management personnel violate laws, administrative rules or Articles of Association when performing their duties and cause losses to the company, there is no form of proceedings equal to a derivative action. The Mandatory Provisions, however, provide us with certain remedies against our Directors, Supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Stock Exchange and in accordance with our Articles of Association, each of our Directors and Supervisors is required to give an undertaking in favor of us acting as agent for each of our shareholders. This allows minority Shareholders to act against our Directors and Supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. There is no specific provision in the Company Law to guard against oppression by the majority shareholders of minority shareholders' but we, as required by the Mandatory Provisions, has adopted in our Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law.

These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of our Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days while notice of an extraordinary general meeting of shareholders must be given not less than 15 days before the meeting. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all our Shareholders and Shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a Hong Kong limited company, the minimum period of notice of a general meeting where convened for the purpose of considering ordinary resolutions is 14 days and where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is also 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a meeting of a company is provided for in the articles of association of a company, but must be at least two members unless it is a single-member company. The Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may only be convened when replies to the notice of that meeting have been received from our Shareholders whose Shares represent 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our Shareholders by way of a public announcement and we may hold the Shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three quarters of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a Shareholders' general meeting except in cases such as proposed amendments to our Articles of Association, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by Shareholders present in person or by proxy at a Shareholders' general meeting.

Financial Disclosure

We are required under the Company Law to make available at our office for inspection by Shareholders our annual financial report 20 days before our Shareholders' annual general meeting. In addition, we must publish our financial statements and our annual balance sheet must be verified by registered accountants. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

We are required under PRC law to prepare our financial statements in accordance with PRC accounting standards. The Mandatory Provisions require that we must, in addition to preparing our accounts according to PRC standards, have our accounts prepared and audited in accordance with international or Hong Kong accounting standards and our financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. We are required to publish our interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously in the relevant stock exchanges.

Information on Directors and Shareholders

The Company Law gives our shareholders the right to inspect our Articles of Association, minutes of the Shareholders' general meetings and financial and accounting reports. Under our Articles of Association, Shareholders have the right to inspect and copy (at reasonable charges) certain information on Shareholders and on Directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require us to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H Shares dividends declared and all other monies owed by us in respect of our Shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily, pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre ("HKIAC") or the China International Economic and Trade Arbitration Commission ("CIETAC"), at the claimant's choice.

Mandatory Deductions

Under the Company Law, after-tax profits of a company are subject to deductions of contributions to the statutory surplus reserve of a company before they can be distributed to shareholders. There are prescribed limits under the Company Law for such deductions. There are no corresponding provisions under the Companies Ordinance.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be liable to the company for such damages. In addition, in compliance with the Listing Rules, on remedies similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been set out in our Articles of Association.

Dividends

Our Articles of Association empower us to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a Shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. We shall not exercise our powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

Fiduciary Duties

Hong Kong law recognizes the common law concept of the fiduciary duty of directors. Under the Company Law and the Special Regulations, directors, supervisors, managers and other management personnel owe a fiduciary duty and a due diligence duty towards their company and are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas our Articles of Association provide, as required by the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

LISTING RULES

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited liability company and seeking a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Advisor

We are required to retain until we publish our financial results for the first full financial year commencing after our listing, or such shorter period as the Stock Exchange may in its absolute discretion permit, the services of a compliance advisor which is acceptable to the Stock Exchange, to provide us with professional advice on continuous compliance with the Listing Rules, and to act at all times, in addition to our two authorized representatives, as our principal channel of communication with the Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require us to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep us informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to us. It must act as our principal channel of communication with the Stock Exchange if our authorized representatives are expected to be frequently outside Hong Kong.

Accountants' Report

An accountants' report will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such a report will normally be required to conform to either Hong Kong accounting standards or the International Financial Reporting Standards.

Process Agent

We are required to appoint and maintain a person authorized to accept service of process and notices on our behalf in Hong Kong throughout the period during which our securities are listed on the Stock Exchange and must notify the Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

Under the Listing Rules, securities which are listed on the Stock Exchange and held by the public must constitute not less than 25% of our issued share capital unless a waiver from the Stock Exchange is obtained.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of our general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on Purchase of its Own Securities

Subject to governmental approvals and the Articles of Association, we may repurchase our own H Shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of A shares (if any) and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Hong Kong Codes on Takeovers and Mergers and Share Repurchases and any similar PRC law of which directors are aware, if any. Any general mandate given to our Directors to repurchase H Shares must not exceed 10% of the total number of our existing issued H Shares.

Redeemable Shares

We must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

Amendment to Articles of Association

We may not permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

We are required to make available at a place in Hong Kong for inspection by the public and our Shareholders free of charge, and for copying by our Shareholders at reasonable charges the following:

- complete duplicate register of Shareholders;
- report showing the state of our issued share capital;
- our latest audited financial statements and the reports of our Directors, auditors and (if any) Supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by us since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H shares);
- copy of the latest annual return filed with the Administration for Industry and Commerce or other competent PRC authority; and
- for Shareholders only, copies of minutes of meetings of Shareholders.

Receiving Agents

Under Hong Kong law, we are required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

We are required to ensure that all our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of our shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those shares bearing statements to the following effect, that the acquirer of shares:

- agrees with us and each Shareholder, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each Shareholder, Director, Supervisor, manager and other officer and we acting both for us and for each Director, Supervisor, manager and other officer, agree with each Shareholder to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with us and each Shareholder that shares are freely transferable by the holder thereof; and
- authorizes us to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders as stipulated in our Articles of Association.

**COMPLIANCE WITH THE COMPANY LAW, THE SPECIAL REGULATIONS AND THE
ARTICLES OF ASSOCIATION**

We are required to observe and comply with the Company Law, the Special Regulations and our Articles of Association.

Subsequent Listing

We must not apply for the listing of our H shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of our H shares are adequately protected.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Stock Exchange may impose additional requirements or make listing of our H shares subject to special conditions as the Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or

market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of our listing. Upon our listing on the Stock Exchange, the provisions of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), the Hong Kong Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to us.

SECURITIES ARBITRATION RULES

Our Articles of Association provide that certain claims arising from our Articles of Association or the Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC LEGAL MATTERS

Llinks Law Offices, our legal advisor on PRC law, has sent to us a legal opinion dated April 13, 2007 confirming that it has reviewed the summaries of PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This legal opinion is available for inspection as referred to in the paragraph headed “Documents Available for Inspection” in Appendix X of this prospectus.

Any person wishing to have detailed advice on PRC law and the laws of any jurisdiction is recommended to seek independent legal advice.