Provisions on the Takeover of Listed Companies of the PRC

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Chapter I — General Provisions

Article 1 — These Provisions are formulated in accordance with the relevant laws and regulations for the purposes of promoting the healthy development of the listed company merger and acquisition market, regulating the acquisition activities of listed companies, protecting the lawful rights and interests of investors, and maintaining the order of the securities market and the public interest of society.

Article 2 — For the purposes of these Provisions, the term "takeover of a listed company" shall mean an act of acquiring the shares of a listed company through obtaining the control of the listed company by share acquisition on a stock exchange, or through an offer, agreement or other lawful means.

Article 3 — The takeover of a listed company shall comply with the principles of openness, fairness and good faith. Any entity or individual engaging in the takeover of a listed company shall strictly abide by laws and regulations, be honest and trustworthy, and shall not harm the public interest of the State or the lawful rights

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and interests of the listed company and its shareholders.

Chapter II — Conditions for Strategic Investment

Article 4 — An acquirer may conduct the takeover of a listed company through: (1) acquisition by offer; (2) acquisition by agreement; or (3) acquisition through centralized trading on a stock exchange and other lawful means.

Article 5 — An acquirer shall not be subject to any of the following circumstances: (1) having a relatively large amount of debts due and outstanding; (2) having been subject to an administrative penalty by the securities regulatory authority under the State Council within the most recent three years, or having been subject to a major administrative penalty by judicial authorities or administrative authorities; (3) having committed a serious breach of trust within the most recent three years; or (4) other circumstances stipulated by laws and administrative regulations and recognized by the securities regulatory authority under the State Council.

Article 6 — Where an acquirer, through acquisition on a stock exchange, holds 5% of the issued shares of a listed company, it shall, within three days from the date of occurrence of such fact, prepare a report on the change in shareholders' equity, submit a written report to the securities regulatory authority under the State Council and the stock exchange, notify the listed company, and make a public announcement. The acquirer shall not purchase or sell the shares of the said listed company within the period specified in the preceding paragraph.

Article 7 — Where an acquirer, through acquisition on a stock exchange, holds 30% of the issued shares of a listed company and continues to make acquisitions, it shall issue an offer to all shareholders of the listed company for the acquisition of all or part of the shares of the listed company in accordance with the law. An offer to acquire part of the shares of a listed company shall specify that if the number of shares tendered exceeds the number of shares to be acquired, the acquirer shall acquire the shares on a pro rata basis.

Article 8 — Where an acquirer acquires a listed company by agreement, it may acquire not more than 30% of the shares of the listed company. After reaching 30%, if the acquirer intends to continue the acquisition, it shall issue an offer in accordance with the law, unless an exemption has been granted by the securities regulatory authority under the State Council.

Chapter III — Procedures and Requirements

Article 9 — Where an acquirer intends to issue an offer, it shall prepare an offer report, submit a written report to the securities regulatory authority under the State Council, and simultaneously submit copies to the dispatched office of the securities regulatory authority under the State Council at the place where the listed company is located, notify the stock exchange and the listed company, and make a public announcement within three days from the date of submission of the report.

Article 10 — An offer report shall contain the following: (1) the name and domicile of the acquirer; (2) the decision of the acquirer regarding the takeover; (3) the name of the listed company to be acquired; (4) the purpose of the takeover; (5) a detailed description of the shares to be acquired, including the number of shares, the offer price, the funds required for the offer, the guarantee for the payment of the price and the timetable of the offer; and (6) other contents required by the securities regulatory authority under the State Council.

Article 11 — The period of an offer shall be not less than 30 days and not more than 60 days, unless a competing offer occurs. During the period of the offer, the acquirer shall not withdraw its offer. Where an acquirer needs to change its offer, it shall make a public announcement of the matters to be changed three days before the expiration of the offer period.

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Article 12 — After the expiration of the offer period, where the shares of the listed company held by the acquirer account for more than 75% of the total issued shares of the company, the listing of the said listed company shall be terminated on the stock exchange. Where the number of shares held by the acquirer after the completion of the takeover accounts for more than 90% of the total issued shares of the acquired company, the remaining shareholders shall have the right to sell their shares to the acquirer on the same conditions as those in the offer, and the acquirer shall purchase such shares.

Chapter IV — Administration and Supervision

Article 13 — The securities regulatory authority under the State Council shall, in accordance with the law, supervise and administer the takeover activities of listed companies. A stock exchange shall, in accordance with the law, implement frontline supervision over the takeover activities of listed companies.

Article 14 — Where an acquirer fails to perform its statutory obligations such as making public announcements and issuing offer reports as required, the securities regulatory authority under the State Council shall order it to make corrections and take regulatory measures such as regulatory talks and issuing a warning letter. Where the circumstances are serious, the acquirer may be prohibited from acquiring a listed company within a certain period.

Article 15 — The directors, supervisors and senior management personnel of a listed company shall be loyal and diligent and shall treat all acquirers fairly. The board of directors of a listed company shall not take any action to hinder the takeover without the approval of a general meeting of shareholders. Where a listed company's board of directors takes any action to set up obstacles to the takeover against the interests of the company and its shareholders, the directors shall bear the corresponding legal liability.

Chapter V — Supplementary Provisions

Article 16 — The purchase of shares through centralized trading on a stock exchange and the purchase of shares through an offer shall be settled through the securities registration and settlement institution. The funds for the takeover shall be truthfully credited to the account and the acquirer shall not utilize the assets of the listed company to be acquired or the assets of the listed company as a guarantee to obtain financing from banks and other financial institutions for the purpose of acquiring the listed company.

Article 17 — These Provisions shall apply, by reference, to the acquisition of shares of a company listed abroad by a domestic company through an offshore entity, where such acquisition may lead to a change of control of the domestic assets and equity.

Article 18 — These Provisions shall enter into force on September 8, 2006.

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