
UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Credit Suisse (Hong Kong) Limited
ICBC International Securities Limited
Haitong International Securities Company Limited

Co-Lead Managers

First Shanghai Securities Limited
Convoy Investment Services Limited
Fulbright Securities Limited

THE HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 98,800,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters) may in their absolute discretion, terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to the Company at any time or prior to the commencement of trading in the H Shares on the Listing Date if:

- (a) any of the following shall have come to the notice of any of the Joint Global Coordinators or the Hong Kong Underwriters at any time after the date of the Hong Kong Underwriting Agreement:
 - (i) that any statement contained in any of the Public Offer Documents or other Share Offer Documents (as defined in the Hong Kong Underwriting Agreement) was or has become untrue, incorrect or misleading in any material respect; or
 - (ii) any matter which would, if the Public Offer Documents or other Share Offer Documents (as defined in the Hong Kong Underwriting Agreement) were issued at that time, constitute a material omission therefrom; or
 - (iii) that any of the representations and warranties given by Loncin Group, Loncin Holdings, Huitai and our Company (“**Warrantors**”) in the Hong Kong Underwriting Agreement is (or would if repeated at that time be) untrue or breached in any material respect; or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of the other Warrantors pursuant to the indemnities in the Hong Kong Underwriting Agreement; or
 - (v) any breach of any of the obligations of any party (other than the Joint Sponsors, the Joint Global Coordinators or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement, or any breach by any such party of any of the other specified documents defined in the Hong Kong Underwriting Agreement, which is, in the sole opinion of the Joint Global Coordinators, materially adverse in the context of the Global Offering; or
 - (vi) any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) or in the earnings, business, operations or trading position or prospects of our Group as a whole, or any change in capital stock or long-term debt of our Company or our Group as a whole, or any loss or interference with the assets, operations or business of our Company or our Group as a whole from fire, explosion, flood or other calamity (whether or not covered by insurance) or from any labour dispute or court or governmental action, order or decree, which (in any such case) is not set forth or contemplated in this prospectus and the effect of which is, in the sole opinion of the Joint Global Coordinators, so material and adverse as to make it impracticable or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering; or

UNDERWRITING

- (vii) the materialization of any of the risks set out in the section of this prospectus captioned “Risk Factors”; or
- (viii) any claim, litigation, charge, proceeding or allegation in relation to, or having a potentially adverse impact on, our Company or our Group as a whole or this prospectus or the Hong Kong Public Offering or the Global Offering, the effect of which is, in the sole opinion of the Joint Global Coordinators, materially adverse in the context of the Global Offering; or
- (ix) any Director vacating his office, or any Director being charged with a criminal offence, or becoming the subject of or threatened with any investigation, claim, litigation, charge, proceeding or allegation which may result in him being disqualified from taking part in the management of the Company or the effect of which is, in the sole opinion of the Joint Global Coordinators, materially adverse in the context of the Global Offering; or
- (x) that any certificate given by our Company, any of its officers, or any of the other Warrantors to any of the Joint Global Coordinators under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any material respect; or
- (xi) any person (other than any of the Joint Sponsors or Joint Global Coordinators or other Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named as an expert in the Global Offer Documents, or to the issue of the Global Offer Documents; or
- (xii) any petition being presented for the winding-up or liquidation of our Company or any of our subsidiaries, our Company or any of our subsidiaries making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xiii) a prohibition on our Company for whatever reason from allotting or selling the H Shares (including the Over-allotment Option) pursuant to the terms of the Hong Kong Public Offering; or

UNDERWRITING

- (b) there develops, occurs, or comes into force:
- (i) any event or series of events resulting in or representing a calamity or crisis, or a change or prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets and inter-bank markets) or currency exchange rates or controls in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union as a whole, Japan or Singapore (collectively the “**Relevant Jurisdictions**”); or
 - (ii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, economic or other sanctions, acts of God, epidemic or outbreak of infectious disease) in or affecting any of the Relevant Jurisdictions; or
 - (iv) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism or any other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition or declaration of (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or (B) any moratorium on or serious disruption of banking activities or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or
 - (vi) the revocation or variation of any tax assessment or ruling on stamp duty or other tax matters obtained by our Company or any other member of our Group in connection with the Global Offering and/or the Reorganization; or
 - (vii) any tax law or other change or development involving a change or prospective change in taxation in any of the Relevant Jurisdictions having an adverse effect, or prospective adverse effect, on the Hong Kong Public Offering and/or the Global Offering, our Company or the H Shares (or the transfer of any H Shares) or an investment in the H Shares;

and in the sole opinion of the Joint Global Coordinators, the relevant development, occurrence or other eventuality (A) is, will or may be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or

UNDERWRITING

prospects of our Group as a whole, or potential investors in H Shares, or (B) will or may make it impracticable or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of H Shares on the Listing Date or (C) has or will or may have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged.

Undertakings pursuant to the Hong Kong Listing Rules and Rule 10.07 Lock-Up

(A) Undertaking by our Company

Pursuant to Rule 10.08 of the Hong Kong Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into our equity securities may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering.

(B) Undertaking by the Controlling Shareholders

As required under Note 3 to Rule 10.07(2) of the Hong Kong Listing Rules, each of our Controlling Shareholders has issued an undertaking that until the date which is 12 months from the Listing Date: (i) when it, if and in circumstances permitted by relevant laws and rules including the Hong Kong Listing Rules, pledges or charges any Shares beneficially owned by it, it will immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of those Shares will be disposed of, it will immediately inform us of such indications.

(C) Rule 10.07 Lock-Up

Under Rule 10.07 of the Hong Kong Listing Rules, except as otherwise permitted under that rule, any of our Controlling Shareholders shall not: (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (b) in the period of six months commencing on the date on which the period referred to under (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including

UNDERWRITING

pursuant to the exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange (the “**First Six-Month Period**”), we will not, and will procure that our subsidiaries will not (except pursuant to any transaction contemplated in this prospectus, or any issuance or allotment of shares by our subsidiaries which does not result in a change of control, or any pledge or charge over shares in our subsidiaries created in the ordinary course of our Group’s business), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend, mortgage, assign or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally or repurchase, any of its share capital or any securities or any interest therein (including but not limited to any interest convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or securities or any interest therein);
- (b) enter into any swap, derivative, lending, repurchase and mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities;
- (c) enter into any transaction with the same economic effect as any transaction specified above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction specified above,

in each case, whether any of the foregoing transactions is to be settled by delivery of H Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not such issue of H Shares or securities will be completed within such period).

Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding such Offer Shares reallocated to and from the Hong Kong Public Offering pursuant to the Hong Kong Underwriting Agreement).

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters). We will also pay an incentive fee of 0.7% of the aggregate Offer Price of all the Offer Shares finally included in the Global Offering to the Underwriters of the Global Offering.

The aggregate commissions and the maximum incentive fee, together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee and other expenses of us relating to the Global Offering are estimated to amount to approximately HK\$173 million (assuming an Offer Price of HK\$2.58 per Offer Share, which is the mid-point of our indicative price range for the Global Offering, and the Over-allotment Option is not exercised) in total.

UNDERWRITING

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

THE INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers for, or failing which to subscribe for themselves, their respective applicable proportions of the International Offer Shares being offered pursuant to the International Offering which are not taken up under the International Offering.

Over-allotment Option

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters during the 30-day period from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 148,200,000 additional H Shares, representing 15% of the H Shares initially available under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Offering, if any. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level

UNDERWRITING

higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be sold under the Over-allotment Option, namely, 148,200,000 H Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling the H Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

UNDERWRITING

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.