
UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

Macquarie Capital Securities Limited

Morgan Stanley Asia Limited

Co-Managers

GF Securities (Hong Kong) Brokerage Limited

Mizuho Securities Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to subscribe or procure subscribers for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on, and subject to, the terms and conditions of 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.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Bookrunners (on behalf of the Hong Kong Underwriters) may by giving notice to us and the Controlling Shareholder terminate the Hong Kong Underwriting Agreement at their sole discretion without liability to any of the other parties to the Hong Kong Underwriting Agreement, the Hong Kong Underwriting Agreement shall forthwith cease to have effect and none of the parties to the Hong Kong Underwriting Agreement shall have any rights or claims by reason thereof:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or

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an appreciation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the United States, Canada, the United Kingdom, any member of the European Union or Japan (the “**Relevant Jurisdiction**”); or

- (ii) any new law or regulation or any change or development involving a prospective 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 Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, riots, public disorder, economic sanction, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, large scale outbreak of diseases or epidemics, including, but not limited to, Severe Acute Respiratory Syndrome (“**SARS**”) and H1N1 or swine or avian influenza or such related/mutated forms of accident or interruption or delay in transportation) in or affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or
- (vii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (viii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any Relevant Jurisdiction; or
- (ix) a petition is presented for the winding-up or liquidation of the Company or any of its subsidiaries or the Company or any of its subsidiaries makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its subsidiaries or anything analogous thereto occurs in respect of the Company or any of its subsidiaries; or
- (x) any litigation or claim being threatened or instigated against the Company or any of its subsidiaries,

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and which, in any such case and in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the other Hong Kong Underwriters):

- (A) is or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Group as a whole; or
 - (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
 - (C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there has come to the notice of the Joint Bookrunners or any of the Hong Kong Underwriters:
- (i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was (when it was issued), has or is likely to become untrue, inaccurate, incorrect or misleading in any material respect; or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
 - (iii) any of the representations, warranties and undertakings given by the Company and the Controlling Shareholder in the Hong Kong Underwriting Agreement has become, is (or might reasonably be expected to when repeated be), in any material respect, untrue, inaccurate, incorrect or misleading in any respect; or
 - (iv) any event, act or omission which gives or may give rise to any material liability of the Company or the Controlling Shareholder pursuant to the indemnities given by the Company or the Controlling Shareholder under the Hong Kong Underwriting Agreement; or
 - (v) any breach of any of the obligations of the Company or the Controlling Shareholder under the Hong Kong Underwriting Agreement, having a material adverse effect on the Global Offering; or
 - (vi) any material adverse change or prospective material adverse change in the business, properties, results of operations, in the financial or trading position, conditions or prospects of the Group as a whole,

then the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole discretion and upon giving notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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Undertakings to the Stock Exchange

By our Company

We have undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company may be issued by us or form the subject of any agreement or arrangement to an issue by us within six months from the date on which our H Shares first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except:

- (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or
- (b) pursuant to the Global Offering.

By Our Controlling Shareholder

Our Controlling Shareholder, HECIC, has undertaken to the Stock Exchange, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters and us that it will not, and will procure HECIC Water not to, without the prior written consent of the Stock Exchange and unless in compliance with the Listing Rules:

- (a) period commencing on the date of this prospectus and ending on the date which is six months from the date on which our H Shares commence on the Stock Exchange (the “First Six-month Period”), 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 or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner (except for the transfer of the Domestic Shares to NSSF pursuant to the relevant PRC law); and
- (b) during the period of six months commencing on the date on which the First Six-month Period 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 the shares or securities referred to in the immediately preceding paragraph (a) above 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.

HECIC has further undertaken to the Stock Exchange, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters and us that, within the period commencing on the date by reference to which disclosure of the shareholding of HECIC and HECIC Water is made in this prospectus and ending on the date which is 12 months after the date on which dealings in our H Shares commence on the Stock Exchange, it will and will procure HECIC Water:

- (a) when it pledges or charges any shares or other securities of our Company in respect of which it is the beneficial owner in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform our Company of any such pledges or charges and the number of shares or other securities of our Company so pledged or charged; and
- (b) when it receives any indication, either verbal or written, from any such pledgee or chargee of shares or other securities of our Company that such shares or other securities of our Company will be disposed of, immediately inform us of any such indication.

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We will also, as soon as we have been informed of the above matters (if any) by HECIC or HECIC Water, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Undertakings to the Hong Kong Underwriters

By our Company

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken with each of the Joint Bookrunners, the Sole Sponsor and the Hong Kong Underwriters that, except pursuant to the Global Offering (including the Over-allotment Option) we will not, without the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date:

- (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, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or
- (b) enter into any swap 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 or any interest therein, or
- (c) enter into a transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions described in sub-paragraphs (a) to (d) above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that we will or may enter into any transaction described above, PROVIDED THAT the foregoing restrictions shall not apply to the issue of our H Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the issue of warrants of our Company by the Joint Bookrunners or Sole Sponsor, and we further agree that, in the event of an issue or disposal of any H Shares or any interest therein after the date falling six months from the date on which dealings in the H Shares commence on the Stock Exchange, we will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the H Shares.

We have also agreed and undertaken that we will not effect any issue or purchase of shares, or agree to do so, where such issue or purchase would result in the Company not complying with the public float requirements set out in the Listing rules during the period of six months after the Listing Date, without first having obtained the prior written consent of the Sole Sponsor, the Joint Global Coordinators and the Joint Bookrunners (on behalf of the Hong Kong Underwriters).

Indemnity

We and HECIC have agreed to indemnify the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

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Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. 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 Joint Bookrunners and the relevant underwriters (but not the other Hong Kong Underwriters). In addition, the Joint Global Coordinators may also receive an incentive fee, to be determined at the Company's discretion, in respect of Offer Shares to be offered under the Global Offering.

Assuming an Offer Price of HK\$2.36 per Offer Share (being the mid-point of the indicative offer price range), the aggregate commissions and fees (exclusive of the discretionary incentive fee as mentioned above), together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, sponsorship fees, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$173.8 million in total (assuming the Over-allotment Option is not exercised). Such commissions, fees and expenses are payable by our Company.

Hong Kong Underwriters' Interest in our Company

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any member of our Group.

International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters on or about October 7, 2010, shortly after the determination of the Offer Price. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally but not jointly, agree to procure subscribers to subscribe for or purchasers to purchase, or failing which to subscribe for or purchase 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.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

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ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members,” may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for Morgan Stanley Asia Limited and its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of this activity may occur both during and after the end of the stabilizing period described under “Structure of The Global Offering — Stabilization and Over-Allotment”. This activity may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares, and the volatility of the H Shares share price, and the extent to which this occurs from day to day cannot be estimated.