

# STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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## OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.92 and is expected to be not less than HK\$1.48 per Offer Share. Based on the maximum Offer Price of HK\$1.92 per Offer Share, plus one per cent. brokerage, SFC transaction levy of 0.004 per cent. and Stock Exchange trading fee of 0.005 per cent., one board lot of 2,000 Shares will amount to a total of HK\$3,878.74.

The Offer Price is expected to be determined among us, the Selling Shareholders and the Global Co-ordinator (on behalf of the Underwriters) on or before 1 June 2007 but no later than 5 June 2007.

Based on the level of interests expressed by prospective professional and institutional investors during the book-building process, if the Global Co-ordinator (on behalf of the Underwriters) considers it appropriate, with the consent of our Company and the Selling Shareholders, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, publish an announcement in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). Such announcement will also include any financial information which may change as a result of any such reduction. If applications for the Hong Kong Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

If the Offer Price is not agreed among us, the Selling Shareholders and the Global Co-ordinator (on behalf of the Underwriters) on or before 5 June 2007, the Share Offer will not proceed and will lapse.

## CONDITIONS

Acceptance of all applications for the Share Offer will be conditional upon:—

- (i) the Listing Committee granting a listing of, and permission to deal in, the Shares (including any Shares which may fall to be issued upon the exercise of the Over-allocation Option or any option which may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the Listing Date; and
- (ii) the Offer Price having been determined and the execution and delivery of the International Placing Underwriting Agreement and the Price Determination Agreement on the Price Determination Date; and

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- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Global Co-ordinator on behalf of the Underwriters) and not being terminated in accordance with the terms of either agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements. If these conditions are not fulfilled, all application money will be returned, without interest, on the terms set out in the section “How to apply for the Hong Kong Public Offer Shares” in this prospectus. In the meantime, such application money will be held in a separate bank account with the receiving banker or other licensed bank(s) in Hong Kong.

## OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

### The Share Offer

The Share Offer consists of the International Placing and the Hong Kong Public Offer. The 300,000,000 Offer Shares comprise 270,000,000 International Placing Shares and 30,000,000 Hong Kong Public Offer Shares. The 300,000,000 Offer Shares will represent 30 per cent. of the Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may fall to be issued upon the exercise of the Over-allocation Option and any option which may be granted under the Share Option Scheme.

Out of the total 300,000,000 Offer Shares, 30,000,000 Offer Shares, representing 10 per cent. of the initial number of the Offer Shares, will be offered for subscription to members of the public in Hong Kong under the Hong Kong Public Offer. The number of the Hong Kong Public Offer Shares will be subject to reallocation set forth below.

Out of the total 300,000,000 Offer Shares, 270,000,000 Offer Shares, representing 90 per cent. of the initial number of the Offer Shares, will be offered for subscription and purchase under the International Placing. The International Placing Shares will be placed with professional and institutional investors in Hong Kong and certain other jurisdictions.

In connection with the Share Offer, our Company and the Selling Shareholders will grant to the Global Co-ordinator the Over-allocation Option which will be exercisable at any time within 30 days from 1 June 2007, being the last date for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allocation Option, our Company may be required to issue up to 15,000,000 additional New Shares and the Selling

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Shareholders may be required to sell up to an aggregate of 30,000,000 Shares, of which up to 20,000,029 Shares will be sold by Power Active and up to 9,999,971 Shares will be sold by Prax Capital, to cover over-allocations in the International Placing. The Global Co-ordinator may also cover over-allocations in the International Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allocation Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued and sold under the Over-allocation Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Over-allocation Option is exercised in full, on completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may fall to be issued upon the exercise of any option which may be granted under the Share Option Scheme, the 345,000,000 Offer Shares will represent 33.99 per cent. of the enlarged number of Shares in issue.

If the Global Co-ordinator decides to exercise the Over-allocation Option, it will be exercised solely to cover over-allocations in the International Placing. The International Placing Shares (including any over-allocations) will be allocated prior to the Listing Date.

The net proceeds from the New Issue, after deducting commissions and expenses and assuming an Offer Price of HK\$1.70 per Share (being the mid-point of the stated range of the Offer Price between HK\$1.48 to HK\$1.92 per Share) and that the Over-allocation Option is not exercised, are estimated to be approximately HK\$395.8 million. If the Over-allocation Option is exercised in full, we would receive additional net proceeds (after deducting underwriting commission and expenses attributable to the exercise of the Over-allocation Option) of approximately HK\$25 million. The net proceeds from the Offer for Sale are estimated to be approximately HK\$82 million (assuming that the Over-allocation Option is not exercised at all).

## **The Hong Kong Public Offer**

Our Company is initially offering 30,000,000 New Shares, representing 10 per cent. of the total number of Shares initially being offered in the Share Offer, for subscription by members of the public in Hong Kong. The Hong Kong Public Offer Shares are being offered at the maximum Offer Price, subject to refund. The Hong Kong Public Offer is fully underwritten by the Hong Kong Public Offer Underwriters, subject to the terms and conditions of the Hong Kong Public Offer Underwriting Agreement. If, for any reason, we, the Selling Shareholders and the Global Co-ordinator (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Share Offer will not proceed and will lapse.

The total number of the Hong Kong Public Offer Shares will be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction

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levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares may be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of the Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 15,000,000 Hong Kong Public Offer Shares are liable to be rejected. Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation as described below.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the initial number of the Hong Kong Public Offer Shares, then additional Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Hong Kong Public Offer Shares will increase to 90,000,000 Shares, representing 30 per cent. of the initial number of the Offer Shares.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the initial number of the Hong Kong Public Offer Shares, then additional Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Hong Kong Public Offer Shares will increase to 120,000,000 Shares, representing 40 per cent. of the initial number of the Offer Shares.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the initial number of the Hong Kong Public Offer Shares, then additional Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Hong Kong Public Offer Shares will increase to 150,000,000 Shares, representing 50 per cent. of the initial number of the Offer Shares.

In each such case, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Global Co-ordinator, in its discretion, may reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing.

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Allocation of the Hong Kong Public Offer Shares to investors will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of the Hong Kong Public Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro rata basis, even though this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

## **The International Placing**

Our Company is initially offering 220,000,000 International Placing Shares and the Selling Shareholders are offering 50,000,000 International Placing Shares (of which 33,333,382 International Placing Shares will be sold by Power Active and 16,666,618 International Placing Shares will be sold by Prax Capital), representing an aggregate of 90 per cent. of the initial number of the Offer Shares, for subscription and purchase under the International Placing. The International Placing will be fully underwritten by the International Placing Underwriters, subject to the terms and conditions of the International Placing Underwriting Agreement. If, for any reason, we, the Selling Shareholders and the Global Co-ordinator (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Share Offer will not proceed and will lapse.

The International Placing Shares will be placed with professional and institutional investors in Hong Kong and certain other jurisdictions. The International Placing Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, retail investors should apply for the Hong Kong Public Offer Shares, as retail investors applying for the International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Proposed Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and its Shareholders as a whole.

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The International Placing shall be offered for subscription and purchase under the restrictions set forth in the section headed “Information about this prospectus and the Share Offer” in this prospectus.

The International Placing is conditional on the same conditions as set forth under “Conditions” above. The total number of the International Placing Shares to be allotted and issued may change as a result of the reallocation as described above, the exercise of the Over-allocation Option and any reallocation of unsubscribed Hong Kong Public Offer Shares to the International Placing.

## OVER-ALLOCATION AND STABILISATION

### The Over-allocation Option

In connection with the Share Offer, our Company and the Selling Shareholders will grant to the Global Co-ordinator the Over-allocation Option which will be exercisable at any time within 30 days from 1 June 2007, being the last date for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allocation Option, our Company may be required to issue up to 15,000,000 additional New Shares and the Selling Shareholders may be required to sell up to 30,000,000 Shares, of which up to 20,000,029 Shares will be sold by Power Active and up to 9,999,971 Shares will be sold by Prax Capital, at the final Offer Price, to cover over-allocations in the International Placing. The number of Shares that may be over-allocated cannot therefore exceed the maximum number of Shares that may be issued and sold under the Over-allocation Option. If the Over-allocation Option is exercised in full, on completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may fall to be issued upon the exercise of any option which may be granted under the Share Option Scheme, the 345,000,000 Offer Shares will represent 33.99 per cent. of the enlarged number of the Shares in issue.

### Stabilisation actions

In connection with the Share Offer, the Global Co-ordinator as stabilising manager, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Global Co-ordinator or any person acting for it to do this. Any stabilising action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. In this connection, the Global Co-ordinator has been or will be appointed as stabilising manager for purpose of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of the Global Co-ordinator and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. As part of such stabilisation actions, in addition to the Over-allocation Option, the Global Co-ordinator may also cover over-allocations in the International Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allocation Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

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The possible stabilising action which may be taken by the Global Co-ordinator in connection with the Share Offer may involve (among other things) (i) over-allocation of Shares, (ii) purchase of, or agreement to purchase, Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allocation Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

An announcement will be made within seven days after the end of the stabilising period as required under the Securities and Futures (Price Stabilising) Rules made under the SFO.

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Global Co-ordinator (or its affiliate(s)) may choose to borrow Shares from Prime Leader Global Limited and the Selling Shareholders under the Stock Borrowing Agreement. The Stock Borrowing Agreement shall not be subject to the restrictions of rule 10.07(1)(a) of the Listing Rules. The requirements set forth in rule 10.07(3) of the Listing Rules are to be complied with as follows:—

- (a) the stock borrowing arrangement with Prime Leader Global Limited under the Stock Borrowing Agreement may only be effected by the Global Co-ordinator for the settlement of over-allocations in connection with the International Placing and covering any short position prior to the exercise of the Over-allocation Option;
- (b) the maximum number of Shares borrowed from Prime Leader Global Limited will be limited to the maximum number of new Shares which may be allotted and issued by the Company upon full exercise of the Over-allocation Option;
- (c) the same number of Shares borrowed from Prime Leader Global Limited must be returned to it or its nominees (as the case may be) no later than three Business Days following the earlier of (i) the last day for exercising the Over-allocation Option; or (ii) the date on which the Over-allocation Option is exercised in full;
- (d) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable provisions of the Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to Prime Leader Global Limited and Mr. ZHANG Tianren by the Global Co-ordinator in respect of such stock borrowing arrangement.

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Specifically, prospective applicants for the Hong Kong Public Offer Shares should note that:—

- the Global Co-ordinator may, in connection with any stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which, and the time period for which, the Global Co-ordinator will maintain such a position;
- liquidation of any such long position by the Global Co-ordinator may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on 1 July 2007, being the 30th day after the date expected to be the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for the Offer Shares.

### **LISTING ON ANY OTHER STOCK EXCHANGE**

Our Directors are not considering any listing of the Shares on any other overseas stock exchange. Our Company has not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.