

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 21 December 2007. We have been registered as non-Hong Kong company under Part XI of the Companies Ordinance and our principal place of business in Hong Kong is at Room 2507 on 25th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. Mr. Tong Wai Kit, Raymond of Room 610, 6/F, Tai Hang Terrace, 5 Chun Fai Road, Hong Kong, a Hong Kong resident, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and an articles of association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of the Articles of Association is set out in Appendix VI to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, its authorised share capital was US\$50,000 divided into 5,000,000 shares of US\$0.01 each. On 21 December 2007, one Share of US\$0.01 of our Company was allotted and issued fully paid to Codan Trust Company (Cayman) Limited, which was subsequently transferred to Kingfly Capital.
- (b) On 8 January 2008, each share of US\$0.01 in the authorised share capital and the issued share capital of the Company was subdivided into 10 Shares of US\$0.001 each and 28,499,990, 288,495 and 11,505 Shares were respectively allotted and issued, to Kingfly Capital, CAGP and CAGP Coinvestment.
- (c) On 8 January 2008, Kingfly Capital transferred 480,825 and 19,175 Shares to CAGP and CAGP Coinvestment respectively.
- (d) On 19 March 2008, 3,077,280 Shares and 122,720 Shares were allotted and issued to CAGP and CAGP Coinvestment, respectively.
- (e) On 31 March 2008, Kingfly Capital further transferred 3,200,000 Shares and 320,000 Shares to Top Wisdom and Victory Early respectively.
- (f) On 26 June 2009, Kingfly Capital transferred 69,685 Shares, 2,779 Shares, 125,604 Shares and 19,324 Shares to CAGP, CAGP Coinvestment, Partners Group Access and International Fund on account of IFM-Invest: 2 PrivateEquity, respectively;
- (g) On 26 June 2009, Top Wisdom transferred 41,811 Shares, 1,667 Shares, 75,362 Shares and 11,594 Shares to CAGP, CAGP Coinvestment, Partners Group Access and International Fund on account of IFM-Invest: 2 PrivateEquity, respectively;

- (h) On 26 June 2009, 1,142,830 Shares, 45,575 Shares, 2,059,904 Shares and 316,908 Shares were allotted and issued to CAGP, CAGP Coinvestment, Partners Group Access and International Fund on account of IFM-Invest: 2 PrivateEquity, respectively;
- (i) On 23 September 2008, Shareholders' resolutions were passed to approve, among other things, the increase of authorised share capital of our Company from US\$50,000 to US\$100,000,000; and
- (j) On 5 November 2009, Shareholders' resolutions were passed to approve, among other things, the Capitalisation Issue.

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, the authorised share capital of our Company will be US\$100,000,000 divided into 100,000,000,000 Shares, of which 3,000,000,000 Shares will be issued fully paid or credited as fully paid, and 97,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders" in this Appendix and pursuant to the Share Option Scheme, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Changes in share capital of the subsidiaries

Save as set out above and in the paragraph headed "Reorganisation of our Group" under the section headed "History, Reorganisation and Corporate Structure" there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders

Pursuant to the written resolutions of all the shareholders entitled to vote at general meetings of our Company, which were passed on 23 September 2008 and 5 November 2009:

- (a) the authorised share capital of our Company was increased from US\$50,000 to US\$100,000,000 by the creation of 99,950,000,000 Shares of US\$0.001 each ranking *pari passu* in all respects with the Shares in issue as at 23 September 2008;
- (b) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of US\$2,214,435 be capitalised and be applied in paying up in full at par 2,214,434,783 Shares for allotment and issue to the Shareholders whose names were on the register of members of our Company as at the close of business on 5 November 2009 in proportion (as nearly as possible without involving fractions) to its (their) then existing shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

- (c) conditional on (i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and the Share Option Scheme) as mentioned in the Prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;
- (ii) the rules of the Share Option Scheme were approved and adopted, and the Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Hong Kong Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Hong Kong Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options which may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in

our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but before the exercise of the Over-allotment Option;
- (f) the general mandate to allot, issue and deal with Shares as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalisation Issue but before the exercise of the Over-allotment Option be and is approved; and
- (g) the Articles of Association were adopted.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) the expiration of the period within which we are required by any applicable law of the Cayman Islands or the Articles of Association to hold our next annual general meeting; or
- (3) the time when such mandate is varied or revoked by an ordinary resolution of our shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Hong Kong Listing Rules

The Hong Kong Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed on 5 November 2009 by all our shareholders, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Hong Kong Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following the completion of the Global Offering and Capitalisation Issue, details of which have been described above in the paragraph headed "Written resolutions of our Shareholders".

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Hong Kong Listing Rules and the Cayman Companies Law. We are not permitted to repurchase our Shares on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) Shares to be repurchased

The Hong Kong Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our shareholders for our Directors to have general authority from the shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Hong Kong Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our

working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Hong Kong Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Hong Kong Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No Connected Person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANISATION

For information with regard to our corporate reorganisation, please refer to the paragraph headed "Reorganisation of our Group" of the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement in Chinese dated 28 December 2007 entered into between Sky Famous and Mr. Li Kwok Cheong pursuant to which Sky Famous acquired 1 share in the share capital of China Zhaoneng from Mr. Li Kwok Cheong for a consideration of HK\$1.00.
- (b) the First Share Purchase Agreement;

- (c) the First Shareholders' Agreement;
- (d) the Accession and Amendment Agreement;
- (e) the Second Amendment Agreement;
- (f) a forestry right transfer agreement in Chinese and a supplemental agreement in Chinese dated 19 March 2008 and 17 April 2008 respectively entered into between Beijing Zhaolin and Kunming Ultra Big pursuant to which Kunming Ultra Big acquired all the forestry rights of Beijing Zhaolin in Sichuan forests for a consideration of RMB122,428,723;
- (g) an amendment agreement in Chinese dated 11 March 2008 and entered into between 中國人民財產保險股份有限公司四平市分公司第一營業部 (PICC Property and Casualty Company Limited Si Ping City Branch First Operation Department), Beijing Zhaolin and Kunming Ultra Big pursuant to which Beijing Zhaolin transferred its rights and obligations as the proposer and the insured under all the then effective insurance policies it maintained with PICC Property and Casualty Company Limited Si Ping City Branch First Operation Department to Kunming Ultra Big;
- (h) an amendment agreement in Chinese dated 14 March 2008 and entered into between Beijing Zhaolin and Kunming Ultra Big pursuant to which Beijing Zhaolin transferred and assigned to Kunming Ultra Big (1) its rights and obligations under a pre-purchase agreement entered into with an Independent Third Party on 12 December 2007; (2) the prepayment in the amount of RMB5,000,000 to secure its exclusive right to acquire the forests under the pre-purchase agreement;
- (i) a supplemental agreement in Chinese to the amendment agreement mentioned in item (g) above in Chinese dated 4 June 2008 and entered into between Beijing Zhaolin and Kunming Ultra Big pursuant to which Kunming Ultra Big agreed to return to Beijing Zhaolin the relevant insurance premium in the amount of RMB14,396,959.62 previously paid by Beijing Zhaolin;
- (j) a supplemental agreement in Chinese to the amendment agreement mentioned in item (h) above in Chinese dated 4 June 2008 and entered into between Beijing Zhaolin and Kunming Ultra Big pursuant to which Kunming Ultra Big agreed to return to Beijing Zhaolin the prepayment in the amount of RMB5,000,000 previously paid by Beijing Zhaolin;
- (k) a deed of indemnity dated 20 August 2008 entered into between Mr. Li Kwok Cheong, Kingfly Capital and our Company for itself and as trustee for its subsidiaries under which Mr. Li Kwok Cheong and Kingfly Capital provided certain indemnities in favour of our Group containing, among others, the indemnities referred to the subparagraph headed "Indemnity" under the paragraph headed "Other Information" in this Appendix, which has lapsed and is superseded by the deed of indemnity dated 6 November 2009 mentioned in item (p) below;
- (l) a deed of representations dated 16 September 2008 entered into between Mr. Li Kwok Cheong and our Company under which Mr. Li Kwok Cheong made certain representations in respect of the forestry rights and the 1 share in the share capital of China Zhaoneng transferred to the Group under items (a) and (f) above in favour of our Company;

- (m) a non-competition deed in Chinese dated 23 September 2008 entered into by the Controlling Shareholders in favour of our Company, details of which are disclosed in the section headed “Relationship with Controlling Shareholders”, which has lapsed and is superseded by the non-competition deed dated 6 November mentioned in item (q) below;
- (n) the Second Share Purchase Agreement;
- (o) the Second Shareholders’ Agreement;
- (p) a deed of indemnity dated 6 November 2009 entered into between Mr. Li Kwok Cheong, Kingfly Capital and our Company for itself and as trustee for its subsidiaries under which Mr. Li Kwok Cheong and Kingfly Capital provided certain indemnities in favour of our Group containing, among others, the indemnities referred to the subparagraph headed “Indemnity” under the paragraph headed “Other Information” in this Appendix;
- (q) a non-competition deed in Chinese dated 6 November 2009 entered into by the Controlling Shareholders in favour of our Company, details of which are disclosed in the section headed “Relationship with Controlling Shareholders”; and
- (r) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

Trademarks

As at the Latest Practicable Date, we have the right to use the following trademarks:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date</u>
	Hong Kong	19, 35	301074618	17 March 2018
 中国森林控股有限公司 China Forestry Holdings Co., Ltd.	Hong Kong	19, 35	301074636	17 March 2018
兆能	Hong Kong	19, 35	301074627	17 March 2018

As at the Latest Practicable Date, applications have been made for the registration of the following trademarks:

<u>Trademark</u>	<u>Place of Application</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
	PRC	19	6527863	24 January 2008
	PRC	35	6527864	24 January 2008
兆能	PRC	19	6527861	24 January 2008
兆能	PRC	35	6527862	24 January 2008

Domain Name

As at the Latest Practicable Date, we have registered the following domain name:

<u>Registrant</u>	<u>Domain Name</u>	<u>Expiry Date of Registration</u>
Kunming Ultra Big	www.chinaforestryholding.com	12 January 2010

3. Further information about our PRC establishments

(a) Chengdu Yishang

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| (i) nature of the company: | wholly foreign-owned enterprise |
| (ii) term of business operation: | 30 years commencing on 21 March 2008 |
| (iii) registered capital: | US\$29 million |
| (iv) attributable interest of the company: | 100% |
| (v) scope of business: | planting of trees and seedlings, production and sale of self-made seedlings and timbers, and provision of relevant technology services and consultation |

(b) Kunming Ultra Big

- | | |
|--|--|
| (i) nature of the company: | wholly foreign-owned enterprise |
| (ii) term of business operation: | 30 years commencing on 7 March 2008 |
| (iii) registered capital: | US\$50 million |
| (iv) attributable interest of the company: | 100% |
| (v) scope of business: | planting of trees and seedlings, production of seedlings and timbers, sale of self-made products, and provision of relevant technology services and consultation |

D. FURTHER INFORMATION ABOUT THE DIRECTORS**1. Directors' service contracts**

Each of our Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our executive Directors is entitled to the respective basic salary set out below. They are also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year may not exceed 2% of our turnover as shown in our audited consolidated financial statements in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the discretionary bonus payable to him.

The current basic annual salaries of the executive Directors under the current service contract with us are as follows:

<u>Name</u>	<u>Annual Amount</u>
Li Kwok Cheong	RMB1.2 million
Li Han Chun	RMB1.2 million

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the aggregate of the remuneration paid and benefits in kind (excluding share-based payments) granted to our Directors by us and our subsidiaries was RMB318,748, RMB380,966, RMB1,480,000 and RMB534,755, respectively.

The fees or contributions to pension schemes or retirement benefit plans payable by us to or on behalf of our directors during these periods was approximately RMB19,016 and RMB21,164, RMB23,354 and RMB12,686 respectively.

During the Track Record Period, Mr. Li Han Chun, our executive Director, was the only Director who has received remuneration from us. Save as disclosed in this prospectus, no other emoluments have been paid or are payable by us to our Directors during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus and share-based payments) for the year ending 31 December 2009 will be approximately RMB786,413.98.

E. DISCLOSURE OF INTERESTS

1. Disclosure of Interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and the Capitalisation Issue

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of the Directors and the chief executive in our Shares, underlying Shares and debentures and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities

Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules, will be as follows:

Interests and short positions in our Shares, underlying shares and debentures and our associated corporations:

Long Positions in our Company

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company</u>
Li Kwok Cheong ⁽¹⁾	Interest of a controlled corporation	1,534,950,000	51.17%
	Security interest	75,000,023	2.50%
Li Han Chun ⁽²⁾	Interest of a controlled corporation	194,175,000	6.47%

Notes:

(1) *Kingfly Capital is wholly-owned and controlled by Mr. Li Kwok Cheong and Mr. Li Kwok Cheong is therefore deemed to be interested in the Shares held by Kingfly Capital. Kingfly Capital has a security interest over 75,000,023 Shares, representing approximately 2.5% of the interest in the Company held by Top Wisdom.*

(2) *Top Wisdom is wholly-owned and controlled by Mr. Li Han Chun and Mr. Li Han Chun is therefore deemed to be interested in the Shares held by Top Wisdom.*

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in our Shares or underlying shares which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Interests and short positions in our shares and underlying shares:

<u>Name</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Kingfly Capital <i>(Note 1)</i>	Beneficial Owner	1,534,950,000	51.17%
	Security Interest	75,000,023	2.50%
Mr. Li Kwok Cheong <i>(Note 1)</i>	Interest in controlled corporation	1,534,950,000	51.17%
	Security Interest	75,000,023	2.50%
CAGP <i>(Note 2)</i>	Beneficial owner	322,650,000	10.76%
CAGP General Partner, L.P. <i>(Note 2)</i>	Interest in controlled corporation	335,475,000	11.18%
CAGP Ltd. <i>(Note 2)</i>	Interest in controlled corporation	335,475,000	11.18%
TC Group Cayman Investment Holdings, L.P. <i>(Note 2)</i>	Interest in controlled corporation	335,475,000	11.18%
TCG Holdings Cayman II, L.P. <i>(Note 2)</i>	Interest in controlled corporation	335,475,000	11.18%
Carlyle Offshore Partners II, Limited <i>(Note 2)</i>	Interest in controlled corporation	335,475,000	11.18%
Top Wisdom Overseas Holdings Limited <i>(Note 3)</i>	Beneficial owner	194,175,000	6.47%
Mr. Li Han Chun <i>(Note 3)</i>	Interest in controlled corporation	194,175,000	6.47%
Partners Group AG <i>(Note 4)</i>	Investment Manager	165,150,000	5.51%
Partners Group Holding AG <i>(Note 5)</i>	Interest in controlled company	165,150,000	5.51%

Notes:

1. Kingfly Capital is wholly-owned and controlled by Mr. Li Kwok Cheong and Mr. Li Kwok Cheong is therefore deemed to be interested in the Shares held by Kingfly Capital.

Kingfly Capital, as the chargee in respect of a charge made by Top Wisdom as the chargor over 75,000,023 Shares representing approximately 2.5% of the issued share capital of the Company immediately after the Global Offering and Capitalisation Issue, has a security interest over such Shares.

2. CAGP General Partner, L.P. is the general partner of CAGP and CAGP Coinvestment which collectively are interested in 11.18% of the total issued share capital of the Company. CAGP General Partner, L.P. itself acts by its general partner, CAGP Ltd., which in turn is 100% owned, controlled and managed by TC Group Cayman Investment Holdings, L.P., the general partner of which is, TCG Holdings Cayman, L.P.. Carlyle Offshore Partners II, Limited is the general partner of TCG Holdings Cayman II, L.P.. Each of CAGP General Partner, L.P., CAGP Ltd., TC Group Cayman Investment Holdings, L.P., TCG Holdings Cayman II, L.P. and Carlyle Offshore Partners II is deemed to be interested in the Shares held by CAGP and CAGP Coinvestment.

3. Top Wisdom is wholly-owned and controlled by Mr. Li Han Chun and Mr. Li Hun Chun is therefore deemed to be interested in the Shares held by Top Wisdom.

Top Wisdom Overseas Holdings Limited, as the chargor, has created a charge in favour of Kingfly Capital, as the chargee, over 75,000,023 Shares representing approximately 2.50% of the issued share capital of the Company immediately after the Global Offering and Capitalisation Issue.

4. *Partners Group Management (Scotland) Limited, the general partner of Partners Group Access, which is interested in 4.77% of the total issued share capital of the Company, is accustomed to act in accordance with the direction of Partners Group AG. In addition, Partners Group AG has discretion to make decisions regarding the exercise of the voting rights attributable to the 0.74% interest in the Company held by International Fund on account of IFM-Invest: 2 PrivateEquity. Partners Group AG is therefore, deemed to be interested in 5.51% of the total issued share capital of the Company.*
5. *Partners Group AG is a wholly-owned subsidiary of Partners Group Holding AG, which is, therefore, deemed to be interested in 5.51% of the total issued share capital of the Company.*

2. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being our Director or our chief executive) who will, immediately after completion of the Capitalisation Issue and the Global Offering (taking no account of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings;
- (b) none of the Directors has any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in the section headed “Other Information — Consents of experts” of this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to us or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries;
- (d) none of the Directors nor any of the parties listed in the section headed “Other Information — Consents of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Other Information — Consents of experts” of this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their associates (as defined in the Hong Kong Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. OTHER INFORMATION

1. Indemnity

Mr. Li Kwok Cheong and Kingfly Capital (together, the “Indemnifiers”) have, under a deed of indemnity referred to in paragraph (I) of the sub-section headed “Summary of the material contracts” in this Appendix VII, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) taxation (including estate duty) resulting from any income, profits, gains earned, accrued or received, entered into or occurring on or up to the Listing Date; (b) any non-compliance with any laws and/or regulations by any member of the Group on or before the Listing Date, which includes any losses, damages, costs, expenses, of whatever kind or nature, imposed upon or incurred by or asserted against any of the members of the Group and directly or indirectly arising out of or in any way relating to any violation or non-compliance of environmental laws and obligations to undertake environmental impact assessments under the relevant PRC laws and regulations; (c) any liability of any member of the Group to make any payment and/or to transfer any assets in connection with any allegation and/or claim that any transfers of businesses and/or assets as part of the Reorganisation are void or voidable as a result of the insolvency or lack of governmental approval or similar event of any one party to the Reorganisation; (d) all actions, claims, losses, damages, costs (including all legal costs), charges, expenses, interests, penalties or other liabilities which our Company may reasonably and properly incur in connection with (i) the investigation, assessment or the contesting of any claim; (ii) the settlement of any claim; (iii) any legal proceedings in which any member of the Group claims under the deed of indemnity and in which judgment is given in favour of any member of the Group; or (iv) the enforcement of any such settlement or judgment in respect of any claim; (e) any fines, penalties, charges, losses, damages and liabilities (including and without limitation to any legal costs) which may be incurred or suffered by any member of the Group arising from or in connection with any claim or liability arising from or in connection with any liability of Beijing Zhaolin (including but not limited to the failure to pay social security insurance contributions and the housing fund contributions/fees in the PRC according to the relevant local and regulations for any period); and (f) any losses and damages suffered by any member of the Group as a result of, in connection with or due to the lack of valid title certificates and/or proper registration in respect of the Group’s leased properties in the PRC.

The Indemnifiers will however, not be liable under the deed of indemnity in respect of taxation or liability:

- (a) to the extent that provision, reserve or allowance has been made for such taxation liability or claim in the audited combined accounts of the Group for each of the three financial years ended 31 December 2008 and the six months ended on 30 June 2009 or in the audited accounts on the relevant members of the Group for the three financial years ended 31 December 2008 and the six months ended on the 30 June 2009; or
- (b) to the extent that where such claim arises or is incurred as a result of the imposition of taxation liability or claims as a consequence of any retrospective change in the law or the interpretation or practice thereof by the relevant tax authorities coming into force after the date on which the Global Offering becomes unconditional or to the extent such claim arises or is increased in rates of taxation after the date on which the Global Offering becomes unconditional with retrospective effect;
- (c) to the extent of any provision or reserve made for such taxation in the audited combined accounts of the Group for each of the three financial years ended 31 December 2008 and the six months ended on 30 June 2009 or in the audited accounts on the relevant members of the Group for the three financial years ended 31 December 2008 and the six months ended on the 30 June 2009 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this item (c) to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;
- (d) falling on our Company after the Listing Date unless such taxation or liability would not have arisen but for any act or omission by our Company (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed);
- (e) to the extent that such taxation or liability is discharged by another person who is not the Company or a member of the Group and that the Company or such member of the Group is not required to reimburse such person in respect of the discharge of the taxation or liability; or
- (f) for which the Company is primarily liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business after the Listing Date.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries are/is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or

claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary Expenses

Our estimated preliminary expenses are approximately HK\$30,000 and have been paid by us.

4. Promoter

The promoter of our Company is Li Kwok Cheong. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to the promoters within two years preceding the date of this prospectus.

5. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, Shares to be issued pursuant to the Capitalisation Issue, any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and, the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

6. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 30 June 2009 (being the date to which our latest audited combined financial statements were made up).

7. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. Miscellaneous

- (1) Save as disclosed in this prospectus:
 - (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

- (d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) we have no outstanding convertible debt securities.
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
Cazenove Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
UBS AG, Hong Kong Branch	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants
Commerce & Finance Law Offices	PRC legal advisers to the Company
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Greater China Appraisal Limited	Independent professional property valuer
Chandler Fraser Keating Limited	Independent forestry consultant

10. Consents of experts

Each of UBS AG, Hong Kong Branch, Cazenove Asia Limited, KPMG, Commerce & Finance Law Offices, Conyers Dill & Pearman, Greater China Appraisal Limited and Chandler Fraser Keating Limited has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its opinion and/or report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

G. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of all the Shareholders passed on 5 November 2009 and adopted by a resolution of the Board on 5 November 2009 (“Adoption Date”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Hong Kong Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as mentioned in the following paragraph) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date (the “Approval Date”) on which the following conditions are fulfilled:

- (a) the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;
- (b) the approval of the Hong Kong Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (c) the commencement of dealing of the Shares on the Main Board of the Hong Kong Stock Exchange.

3. Who may join

The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group

(“Executive”), any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“Employee”);

- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the foregoing persons.

(the persons referred above are the “Eligible Persons”)

4. Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of the Shares in issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) as at the Listing Date (i.e. 300,000,000 Shares) (the “Scheme Mandate Limit”) provided that our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed.
- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained.
- (c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of our Company’s issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

5. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any

12-month period up to the date of the latest grant exceeds 1% of our Company's issued share capital from time to time.

6. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Hong Kong Stock Exchange or an integral multiple thereof).

Subject to the provisions of the Hong Kong Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

7. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Hong Kong Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial shareholder (as defined in the Hong Kong Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Hong Kong Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by shareholders of our Company (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information

required under the Hong Kong Listing Rules. All Connected Persons of our Company must abstain from voting in favour at such general meeting.

Approval from the shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

8. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company on or before 30 days after the offer date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Hong Kong Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option.

9. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Hong Kong Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcements.

10. Exercise price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; and

- (c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

11. Exercise of Option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the Grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.
- (ii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.
- (iii) Subject as hereinafter provided:
 - (a) in the event that the Grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
 - (b) in the event that the Grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
 - (c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
 - (d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the

reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

- (i) the Option Period (in respect of any particular Option, the period commencing immediately after the business day on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by the Directors to each Grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
- (ii) the period of two months from the date of such notice; or
- (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option.

- (e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business days immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

12. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date hereof shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person) as the holder thereof.

13. Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

14. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (c) subject to the period mentioned in paragraph (e) of “Exercise of Option” in this section, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the Grantee or the Board has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts; or
- (e) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

15. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by our Company shall

certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any adjustment to be made to the exercise price of , and/or the number of shares subject to, any options to be granted under the Share Option Scheme must be made in compliance with Chapter 17 of the Hong Kong Listing Rules, the supplemental guidance issued on 5 September 2005 and any future guidance/interpretation of the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

16. Cancellation of Options not Exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “Cancellation Date”):

- (a) the Grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the Grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not

then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such Grantee.

19. Amendment

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Hong Kong Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Hong Kong Listing Rules to the advantage of Grantee; and (iii) any alteration to the aforesaid termination provisions.

Present status of the Share Option Scheme

Application has been made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued within the Scheme Mandate Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

H. Separate Publication of English and Chinese Versions of This Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).