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LONKING 龍工
LONKING HOLDINGS LIMITED
中國龍工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3339)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

All terms used herein have the same meaning as defined in the announcement of Lonking Holdings Limited (the “Company”) dated 6 August 2009, unless otherwise defined.

Please refer to the attached offering circular (the “Offering Circular”) in relation to the issue of US\$135,000,000 zero coupon convertible bonds due 2014 by the Company, which has been published on the website of Singapore Exchange Securities Trading Limited on 25 August 2009.

The posting of the Offering Circular on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.09(2) of the Listing Rules and not for any other purposes. Completion under the Bond Subscription Agreement occurred on 24 August 2009.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

By Order of the Board
Lonking Holdings Limited
Li San Yim
Chairman

Hong Kong, 26 August 2009

As at the date of this announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru, Dr. Mou Yan Qun, Mr. Chen Chao, Mr. Lin Zhong Ming are the executive directors of the Company; Ms. Ngai Ngan Ying and Ms. Fang Deqin are the non-executive directors of the Company; and Mr. Pan Longqin, Dr. Qian Shizheng and Mr. Han Xuesong are the independent non-executive directors of the Company.

* *For identification purposes only*

IMPORTANT NOTICE

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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriter or such affiliate on behalf of the issuer in such jurisdiction.

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US\$135,000,000

LONGKING 龙工**Lonking Holdings Limited***(Incorporated in the Cayman Islands with limited liability)***Zero Coupon Convertible Bonds Due 2014**

The US\$135,000,000 Zero Coupon Convertible Bonds due 2014 (the “**Bonds**”) will be issued by Lonking Holdings Limited (the “**Company**”). The Bonds will bear no interest, except in certain circumstances. Except during any closed period, each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 5 October 2009 up to and including the Business Day falling on or immediately before the tenth day prior to the Maturity Date (as defined below) into fully paid ordinary shares of HK\$0.10 each in the share capital of the Company (“**Shares**”) at an initial conversion price of HK\$7.00 per Share. The conversion price is subject to adjustment in certain circumstances. The Shares are listed, and conditional approval has been received for the listing of and permission to deal in the Shares issuable on conversion of the Bonds, on the Hong Kong Stock Exchange. On 6 August 2009, the closing price of the Shares was HK\$5.73 per Share.

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 144.504 per cent. of their principal amount on 24 August 2014 (the “**Maturity Date**”). The Company may, at its option at any time on or after 24 August 2012 and up to and including the Business Day falling seven Business Days prior to the Maturity Date, but not within a Closed Period, redeem the Bonds, in whole or in part, at their Early Redemption Amount, if the closing price of the Shares translated into US dollars at the prevailing exchange rate for any 20 out of a period of 30 consecutive Stock Exchange Business Days, the last day of which period occurs no more than five Stock Exchange Business Days prior to the date upon which notice of such redemption is given, is at least 130 per cent. of the applicable Early Redemption Amount divided by the Conversion Ratio on each such Stock Exchange Business Day. The Company may, at its option at any time after the commencement of the Conversion Period but not within a Closed Period, redeem the Bonds, in whole but not in part, at their Early Redemption Amount if the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount of the Bonds originally issued. The Company may, at its option at any time after the commencement of the Conversion Period but not within a Closed Period, redeem the Bonds, in whole but not in part, at their Early Redemption Amount in the event of certain changes in taxation, subject to the non-redemption option of each Bondholder described herein. Holders of the Bonds have the right to require the Company to redeem all or a portion of their Bonds at 124.718 per cent. of their principal amount on 24 August 2012 and the right to require the Company to redeem their Bonds in whole, but not in part, at their Early Redemption Amount upon the occurrence of a Change of Control or a Delisting.

Investing in the Bonds involves risks. See “Risk Factors” beginning on page 12.

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Bonds to the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds. The Shares are listed on the Hong Kong Stock Exchange and conditional approval has been received from the Hong Kong Stock Exchange for the listing of and permission to deal in the Shares to be issued upon conversion of the Bonds.

ISSUE PRICE 100 PER CENT.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and subject to certain exceptions, may not be, offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”). For a description of certain restrictions on offers, resale or transfer of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see “Subscription and Sale”.

The Bonds will be represented by beneficial interests in a global certificate (the “**Global Certificate**”) in registered form, without coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about 24 August 2009 (the “**Closing Date**”) with a common depository for, Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, definitive certificates evidencing individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued.

BofA Merrill Lynch

The Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Company and the Company's subsidiaries and associated companies (collectively, the "**Group**"), and the issue of the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained in it relating to the Company and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this document with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and Merrill Lynch Far East Limited (the "**Lead Manager**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong and the PRC, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds, the Shares deliverable on conversion or redemption of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

No person has been or is authorised to give any information or to make any representation concerning the Company, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Lead Manager, the Trustee or the Agents. Neither the delivery of this document nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Lead Manager, the Trustee or the Agents to subscribe for or purchase any of the Bonds or Shares and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Lead Manager, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Lead Manager, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Lead Manager, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE BONDS, MERRILL LYNCH FAR EAST LIMITED. AS THE STABILISING MANAGER (THE “**STABILISING MANAGER**”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION.

In making an investment decision, investors must rely on their own examination of the Company, the Group and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Lead Manager or any person affiliated with the Lead Manager in connection with its investigation of the accuracy of such information or its investment decision.

The Company has prepared audited consolidated financial statements as of and for the three years ended 31 December 2006, 2007 and 2008. These financial statements were prepared in conformity with HKFRS, which differ in certain material respects from IFRS.

References to “**the PRC**” and “**China**” are to the People’s Republic of China and, for the purposes of this Offering Circular, except where the context requires, do not include Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), Macau Special Administrative Region of the PRC (“**Macau**”), or Taiwan. “**PRC government**” or the “**State**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

Unless otherwise specified or the context requires, references herein to “**Hong Kong dollars**”, “**HK dollars**”, and “**HK\$**” are to the lawful currency of Hong Kong, references herein to “**US dollars**” or “**US\$**” are to the lawful currency of the United States of America, references herein to “**Renminbi**” or “**RMB**” are to the lawful currency of the PRC, references to “**HKFRS**” are to Hong Kong Financial Reporting Standards and references to “**IFRS**” are to International Financial Reporting Standards. For further information relating to exchange rates, see “*Exchange Rates*”.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. These forward-looking statements are based on the Directors' beliefs and perceptions of historical trends, assumptions currently made by the Directors and information currently available to them. The words "believe", "intend", "expect", "anticipate", "project", "estimate", "predict", "plan", "going forward" and similar expressions are also intended to identify forward looking statements. However, investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group's expected financial position, business strategy, plans and prospects are forward looking statements.

Such forward-looking statements speak only as at the date of this Offering Circular and reflect the Directors' current views with respect to future events and are inherently subject to various risks and uncertainties, including all such risks as disclosed in this section. As a result, all of the forward-looking statements in this Offering Circular are qualified by these cautionary statements. The Company cannot assure investors that its plans and objectives will be realised, or even if substantially realised, that such plans and objectives will produce the expected effect on its or the Group's operations. Investors are hereby advised not to place undue reliance on the forward-looking statements. The Company does not represent or warrant to investors that its or the Group's actual future results, performance or achievements will materialise as discussed in those forward looking statements. The Company expressly disclaims any obligation or undertaking to update any forward-looking statement contained in this Offering Circular to reflect any change in the Company's expectations with regard thereto or any subsequent change of conditions or circumstances.

INCORPORATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company which are contained in the Annual Reports of the Company for the years ended 31 December 2006, 2007 and 2008 are incorporated by reference in this Offering Circular. Copies of the accounts are available and may be (i) obtained free of charge at the specified office of the Company at Unit 3413, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong or (ii) downloaded free of charge from the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk>.

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DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below. Capitalised terms used but not otherwise defined in this Offering Circular shall, unless the content otherwise requires, have the meanings set out in the terms and conditions of the Bonds described in “Terms and Conditions” or “Conditions” below.

associate	has the meaning ascribed thereto under the Listing Rules
Board or Board of Directors	the board of Directors of the Company
China Longgong	China Longgong Group Holdings Limited, a company incorporated in the British Virgin Islands on 3 June 2004 with limited liability, which is the holding company of the Company. The issued share capital of China Longgong is owned as to 55 per cent. by Mr Li and as to 45 per cent. by Mrs Li
controlling shareholder	has the meaning ascribed thereto under the Listing Rules, and for the purpose of this Offering Circular, means China Longgong
Director(s)	the director(s) of the Company
Existing Convertible Bonds	means the US\$287,000,000 in aggregate principal amount of zero coupon convertible bonds issued by the Company on 30 April 2007 of which US\$163,120,000 in principal amount remain outstanding as at 30 June 2009
Group, we or us	except where the context otherwise requires, references to the “Group”, “we” and “us” include all of the subsidiaries of the Company
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
HKICPA	The Hong Kong Institute of Certified Public Accountants
ISO	The International Organisation for Standardisation, a worldwide federation of national standardisation bodies
Listing Rules	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Longyan Plant	the Group’s manufacturing facilities in Fujian Province, which are operated by Longgong (Fujian) Machinery Co., Ltd.
Mr Li	Mr Li San Yim, an executive Director
Mrs Li	Ms Ngai Ngan Ying, a non-executive Director and the spouse of Mr Li

Put Option	the right of the holders of the Existing Convertible Bonds to require the Company to redeem all or some of the holders' Existing Convertible Bonds in accordance with the terms and conditions of the Existing Convertible Bonds
R&D	research and development
Songjiang Plant	the manufacturing facilities located in Songjiang Industrial Zone, Shanghai, which are operated by Longgong (Shanghai) Machinery Co., Ltd.
Terms and Conditions or Conditions	means the terms and conditions of the Bonds as set out in the section " <i>Terms and Conditions of the Bonds</i> "
Weichai Power	Weichai Power Company Limited, a joint stock limited company incorporated in the PRC and the H shares of which are listed on the main board of the Hong Kong Stock Exchange

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this Offering Circular in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

infrastructure machinery	machinery such as wheel loaders, road rollers and excavators which are designed principally for infrastructure construction activities (including construction of roads, railways, tunnels and bridges) and mining activities
road rollers	vehicles installed with large steel wheels that are used for flattening roads for road building purposes such as paving of roads
wheel loaders	vehicles operated on wheels and designed for lifting, loading and carrying heavy loads in building, construction, mining or related industrial activities

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

THE GROUP

We are a leading manufacturer of wheel loaders and a major manufacturer of infrastructure machinery in the PRC. Our core activities include the design, manufacture and sale of wheel loaders, excavators, road rollers and fork lifts. The sales of these products represented approximately 86 per cent., 4 per cent., 2 per cent. and 3 per cent., respectively of our turnover for the year ended 31 December 2008. We are one of the largest wheel loader manufacturers and the largest non-state owned wheel loader manufacturer in the PRC with approximately 18 per cent. share of the domestic market as measured by the number of wheel loaders sold in the PRC according to the China Construction Machinery Industry Yearbook 2008. Our products primarily target the infrastructure and mining sectors, with sales to such sectors representing a substantial part of our turnover for the year ended 31 December 2008.

We manufacture infrastructure machinery at four production plants: the Songjiang Plant, the Longyan Plant, the Gaoan Plant and the Zhenzhou Plant which are located in Shanghai, Fujian Province, Jiangxi Province and Henan Province, respectively. The Songjiang Plant serves as our headquarters and main manufacturing base and is strategically located in the Songjiang Industrial Zone, Shanghai, which provide easy access to major roads and railways connected to the national transportation systems.

We also manufacture axles and transmissions, which are critical components for wheel loaders. We believe our ability to produce such components allows us to better control costs and monitor product quality. In addition, we believe our ability to develop axles and transmissions leads to a high degree of vertical integration in our production process and enables us to control process technology and customise our products to meet our end-users' design and performance requirements. To complement this production advantage, we have also expanded our production through acquisition to include other components, such as gears, hydraulic tanks and pipes.

We maintain a network of sales agents operating under the supervision and control of our centralised sales headquarters and regional sales managers. We have a nationwide network of 200 sales agents covering 34 provinces, 5 autonomous regions and 4 municipalities in the PRC. In addition, as part of our effort to provide high-quality products and ensure customer satisfaction, we have appointed certain sales agents as our local service agents to provide after-sales services to our end-users. We have over 220 after-sales services centers operated by such service agents. We believe our broad service network facilitates prompt and attentive service for our end-users.

STRATEGY

We aim to become the leading PRC infrastructure machinery manufacturer by leveraging our position as a market leader in the manufacture of wheel loaders to enter the road roller and excavator markets. We intend to pursue the following strategies:

- **Production upgrades**

In response to recent market consolidation in the PRC infrastructure machinery industry, we intend to upgrade our production capacity and scale to meet anticipated increases in demand and capture market share from smaller manufacturers. Our production upgrades will involve an expansion of our manufacturing base and production capacity for wheel loaders by expanding our existing production facilities and purchasing imported equipment. We believe such expansion will enable us to meet anticipated increase in the demand for our products, as well as to increase our economies of scale. In addition to expanding the scale of our wheel loader production capacity, we also intend to enhance our road roller and develop our excavator production capability by purchasing imported production equipment. We will also continue to focus on increasing our production capacity and R&D initiatives for axles and transmissions in order to maintain a high degree of vertical integration in our production process.

- **Distribution and marketing enhancement**

We aim to broaden our end-user base and increase sales to existing end-users. We intend to expand our sales and service network in the northwestern and northeastern regions of the PRC, which we believe present significant opportunities due to the anticipated growth in infrastructure investments as a result of certain recent government initiatives. Leveraging our production cost advantage relative to foreign competitors, we intend to explore opportunities in overseas markets. We have established an overseas sales and marketing team to organise overseas trade shows and interviews to facilitate the accumulation of market information. In addition, we believe we have successfully promoted our “Lonking” brand from the local “Longyan” brand to a leading national brand in the PRC. To further increase brand awareness nationwide, we plan to increase our advertising and marketing budgets.

- **Taking advantage of strong domestic PRC infrastructure machinery market demand and the PRC government’s economic plan to support industrial and agricultural sectors**

Our growth is closely related to the fixed asset investments and economic developments of the PRC. 2006 was the first year of the “Eleventh Five-Year Development Plan for National Economic and Social Development (2006-2010)” and many infrastructure projects have commenced in the PRC since then. Domestic demand, consumption capacity, the level of industrial investment, the level of industrialisation, modernisation, volume of trade and internationalisation have all increased over past years. In addition, in November 2008, the PRC government announced a RMB4 trillion stimulus program to bolster economic growth in the PRC. These developments have provided a favourable business environment and provide us with the potential for further growth in the PRC.

- **Widening the breadth of our product portfolio**

Adhering to our management philosophy “to maximise our product mix”, we took initiatives in research and development of new products based on market responses and our customers’ changing needs. Since the inception of the business in 1993, we have invented more than 30 new models of wheel loaders. Apart from wheel loaders and road rollers, we have invented our own models of fork lifts which were successfully launched to the market in the second half of 2006 and has continued to build strong market presence. We also launched our China Longgong brand excavators in the second half of 2007 which quickly became one of our major products in 2008. As part of our initiatives in diversifying product lines, we acquired substantially all of the interest in Henan Longgong, a company which is primarily engaged in manufacturing harvesting machines and wheel loaders, in 2007. We have also committed to further exploring new products and opportunities in acquiring business in other machinery equipment segments so as to strengthen our product lines.

- **Building up a strong overseas distribution network**

We aim to increase sales and broaden our customer base through better network coverage. We will further expand our nationwide distribution system and service network and believe that our after-sales services provide us with a competitive edge in attracting and retaining customers. We will also explore opportunities in the overseas market. Leveraging our improved quality and excellent value to price ratio, we will develop customised products to meet the specific requirements and needs of overseas customers. We will adopt a proactive promotion strategy to raise our profile and brand awareness of the Lonking brand name in the overseas market and so far, we have established and consolidated our sales networks in the Middle East, Russia, Australia and Africa. For the year ended 31 December 2008, we have achieved approximately RMB352 million of export sales, representing a 23 per cent. increase over the previous year. We will adopt a selective strategy in partnering with overseas distributors so as to ensure quality and stable supply.

THE OFFERING

Phrases used in this summary and not otherwise defined shall have the meanings given to them in the Terms and Conditions.

Company	Lonking Holdings Limited
Issue	US\$135,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2014, convertible into fully-paid Shares.
Shares	The ordinary shares of HK\$0.10 each of the share capital of the Company which are listed on the Hong Kong Stock Exchange.
Issue Price	100 per cent.
Form and Denomination	The Bonds will be issued in registered form in the denomination of US\$10,000 each or integral multiples thereof.
Interest	Save for default interest, the Bonds do not bear any interest.
Closing Date	24 August 2009
Maturity Date	24 August 2014
Negative Pledge	So long as any Bond remains outstanding, the Company will not create or permit to subsist, and the Company will procure that no Subsidiary will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest securing any obligation of any person (“ Security ”) upon the whole or any part of its undertaking, property, assets or revenues (including any uncalled share capital), present or future (“ Assets ”), to secure any International Investment Securities or to secure any guarantee of or indemnity in respect of any International Investment Securities and the Company will procure that no Subsidiary will guarantee any International Investment Securities unless, at the same time or prior thereto, the Company’s obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith (or so guaranteed), or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by holders of a majority in aggregate principal amount of the Bonds then outstanding. See “ <i>Terms and Conditions of the Bonds — Negative Pledge</i> ”.
Conversion Period	The Bonds are convertible at any time on or after 5 October 2009 up to 3:30p.m. (at the location of the Conversion Agent to which such Conversion Notice is delivered) on the Business Day falling on or immediately before the tenth day prior to the Maturity Date (both days inclusive) or if such Bond shall have been called for redemption before the Maturity Date, then up to 3:30p.m. (at the place aforesaid) on a date no later than ten Business Days (at the place aforesaid) prior to the date fixed for redemption thereof or if a Bond has been put for redemption by the holder of such Bond, then up to 3:30p.m. (at the place aforesaid) on the Business Day prior to the day the holder submits the notice in respect of such Bond. See “ <i>Terms and Conditions of the Bonds — Conversion — Conversion Right</i> ”.

Conversion Price	Initially HK\$7.00 per Share but subject to adjustment for certain events, including adjustment for all cash dividends declared after 6 August 2009. See “ <i>Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price</i> ”.
Final Redemption	The Company will redeem each Bond at 144.504 per cent. of its principal amount on the Maturity Date unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions.
Redemption at the Option of the Company	On and at any time after 24 August 2012 but not less than seven Business Days prior to the Maturity Date nor within a Closed Period, the Company may, subject to certain conditions, redeem the Bonds in whole or in part at the Early Redemption Amount. See “ <i>Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Company</i> ”.
Tax Redemption	At any time after the commencement of the Conversion Period but not within a Closed Period, the Company may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice shall be irrevocable), redeem all, but not some, of the Bonds at the Early Redemption Amount, if the Company satisfies the Trustee immediately prior to the giving of such notice that (i) the Company has or will become obliged to pay additional amounts as referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Taxing Jurisdiction, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 August 2009 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. See “ <i>Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation-Redemption for Taxation Reasons</i> ”.
Redemption at the Option of the Bondholders	The Company will, at the option of the holder of any Bond, redeem all or some (provided that all redemptions shall be for a minimum of US\$10,000 or integral multiples thereof) of that holder’s Bonds on 24 August 2012 (the “ Early Redemption Date ”), at 124.718 per cent. of their principal amount. See “ <i>Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders</i> ”.
Redemption upon Change of Control	Following the occurrence of a Change of Control, the holder of each Bond will have the right at such holder’s option to require the Company to redeem all but not some of such holder’s Bonds at the Early Redemption Amount. See “ <i>Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Change of Control</i> ”.

Redemption upon Delisting	In the event of a Delisting, each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem all (but not some only) of such Bondholder's Bonds at the Early Redemption Amount. See " <i>Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Delisting Put Right</i> ".
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Closing Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, definitive certificates evidencing individual holdings of Bonds will not be issued in exchange for beneficial interests in Bonds in respect of which the Global Certificate is issued.
Governing Law	The Bonds, the Trust Deed, the Agency Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English Law.
Trustee	The Bank of New York Mellon
Listing and Trading	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Bonds are listed on the SGX-ST. The Shares are currently listed on the Hong Kong Stock Exchange and conditional approval has been received for the listing of and permission to deal in the Shares to be issued upon conversion of the Bonds.
Identification Numbers for the Bonds	ISIN: XS0443856199 Common Code: 044385619
Use of Proceeds	The proceeds from the issue of the Bonds, after deduction of the commissions and the estimated expenses relating to this offering, are expected to amount to approximately HK\$1,027 million which will be used for financing the Company's obligations to redeem the Existing Convertible Bonds early pursuant to the Put Option to the extent that the Put Option is exercised and for the Group's general working capital requirements. See " <i>Use of Proceeds</i> ".

Risk Factors

Investing in the Bonds involves substantial risks. You should carefully consider all the information in this Offering Circular prior to investing in the Bonds. In particular, we urge you to consider carefully the factors set forth under "*Risk Factors*" beginning on page 12 of this Offering Circular.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the selected consolidated financial information in respect of the Group as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 December 2008, 2007 and 2006 set forth below are derived from the Company's published audited consolidated financial statements (which have been audited by Deloitte Touche Tohmatsu, certified public accountants) and should be read in conjunction with the notes thereto.

The Company's consolidated financial statements are prepared and presented in accordance with HKFRS.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	<u>2008</u>	<u>2007</u> (RMB'000)	<u>2006</u>
Turnover	6,144,788	5,308,624	3,717,939
Cost of goods sold	<u>(4,970,297)</u>	<u>(4,117,055)</u>	<u>(2,760,868)</u>
Gross profit	1,174,491	1,191,569	957,071
Interest income	45,948	71,527	2,970
Other income	20,482	29,003	13,953
Other gains and losses	276,164	37,588	(5,531)
Administrative expenses	(187,937)	(178,088)	(130,032)
Distribution and selling expenses	(429,121)	(359,732)	(198,238)
Other expenses	(6,988)	(1,956)	(3,781)
Finance costs	(154,823)	(111,614)	(20,336)
Discount on acquisition of a subsidiary	—	5,833	—
Profit before tax	738,216	684,130	616,076
Income tax expense	<u>(72,724)</u>	<u>(54,681)</u>	<u>9,272</u>
Profit for the year	<u>665,492</u>	<u>629,449</u>	<u>625,348</u>
Attributable to:			
Equity holders of the parent	665,594	629,616	624,154
Minority interest	<u>(102)</u>	<u>(167)</u>	<u>1,194</u>
	<u>665,492</u>	<u>629,449</u>	<u>625,348</u>
Dividends paid	239,961	349,155	—
Earnings per share – basic (RMB)	0.62	0.59	0.60
Earnings per share – diluted (RMB)	<u>0.42</u>	<u>0.54</u>	<u>0.60</u>

Consolidated Balance Sheet

	Year ended 31 December		
	<u>2008</u>	<u>2007</u> (RMB'000)	<u>2006</u>
Non-current assets			
Property, plant and equipment	2,060,263	1,116,542	700,093
Lease premium for land – Non-current portion	224,441	202,616	146,212
Finance lease receivables	138,748	35,120	—
Deferred tax assets	103,297	65,791	24,731
Deposit paid for property, plant and equipment	175,421	—	—
	<u>2,702,170</u>	<u>1,420,069</u>	<u>871,036</u>
Current assets			
Lease premium for land-Current portion	4,939	4,402	2,984
Inventories	2,347,921	1,491,346	952,769
Finance lease receivables	693,411	303,679	—
Available-for-sale investment	42,755	—	—
Trade receivables	200,181	350,171	252,622
Bills receivables	343,380	522,362	427,174
Other receivables and prepayments	409,643	391,240	146,191
Loan receivables from financial institutions	—	1,450,000	—
Pledged bank deposits	204,488	109,053	59,593
Bank balances and cash	894,507	478,064	129,439
	<u>5,141,225</u>	<u>5,100,317</u>	<u>1,970,772</u>
Current liabilities			
Trade payables	687,864	697,510	332,422
Bills payable	652,741	387,925	227,059
Other payables and accruals	414,307	259,140	180,258
Provisions	154,475	128,296	27,101
Amounts due to related parties	13,871	12,875	7,393
Tax payables	29,628	45,585	22,727
Bank borrowings	361,000	—	266,869
Derivative financial instruments	205,872	305,461	—
	<u>2,519,758</u>	<u>1,836,792</u>	<u>1,063,829</u>
Net current assets	<u>2,621,467</u>	<u>3,263,525</u>	<u>906,943</u>
	<u>5,323,637</u>	<u>4,683,594</u>	<u>1,777,979</u>

	Year ended 31 December		
	<u>2008</u>	<u>2007</u> (RMB'000)	<u>2006</u>
Capital and reserves			
Share capital	111,029	113,009	107,886
Reserves	<u>3,048,075</u>	<u>2,703,478</u>	<u>1,669,028</u>
Equity attributable to equity holders of the parent	3,159,104	2,816,487	1,776,914
Minority interest	<u>851</u>	<u>953</u>	<u>1,065</u>
Total equity	<u><u>3,159,955</u></u>	<u><u>2,817,440</u></u>	<u><u>1,777,979</u></u>
Non-current liabilities			
Deposit for finance lease/Long term payables	27,565	16,563	—
Convertible loan notes	1,476,961	1,843,920	—
Long term bank borrowing	637,000	—	—
Deferred tax liability	<u>22,156</u>	<u>5,671</u>	<u>—</u>
	<u><u>2,163,682</u></u>	<u><u>1,866,154</u></u>	<u><u>—</u></u>
	<u><u>5,323,637</u></u>	<u><u>4,683,594</u></u>	<u><u>1,777,979</u></u>

RISK FACTORS

Prior to making any investment decision in respect of the Bonds, prospective purchasers of the Bonds should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. Additional considerations and uncertainties not presently known to the Company, or which the Company currently deems immaterial may also adversely affect the respective businesses, financial condition or results of operations of members of the Group, including the Company. If any of the possible events described below or other unforeseen events occur, the Company's or the Group's respective business, financial condition or results of operations could be adversely affected. In any such case, the Company may not be able to satisfy its obligations under the Bonds.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO US AND OUR OPERATIONS

We derive substantially all of our turnover from the sales of wheel loaders.

We currently derive substantially all of our turnover from the sale of wheel loaders. For the three years ended 31 December 2008, sales of wheel loaders accounted for approximately 95 per cent., 93 per cent. and 86 per cent., respectively, of our total turnover. We cannot guarantee that the percentage of turnover that our wheel loaders account for will not continue to decline or that we will be able to maintain our current level of sales of wheel loaders. If demand for our wheel loaders decreases, our financial condition, results of operations and prospects may be adversely affected.

We depend on sales agents to sell our products.

We do not maintain direct contacts with end-users of our products and we sell our products through sales agents, which comprise our direct customer base. For the three years ended 31 December 2008, sales that originated from our five largest sales agents, who were also our five largest customers, accounted for approximately 23 per cent., 22 per cent. and 24 per cent., respectively, of our total turnover. Some of these sales agents also act as our service agents and provide after-sales services such as maintenance support and repair services. We have sales agency agreements in place with our major sales agents. These sales agency agreements are typically for a term of one year. There is no assurance that such agreements can be renewed on similar terms or at all upon expiry. Moreover, if for any reason we lose one or more of these sales agents, or any of such agents fails to perform its obligations under such agreements, and we are unable to replace them in a timely manner, then our financial condition, results of operations and prospects may be adversely affected.

We guarantee certain banking facilities of our sales agents. Such banking facilities are used by our sales agents solely to pay us for purchases.

It is our sales policy to offer support to certain sales agents who are unable to purchase our products directly by providing a guarantee to certain banks for the banking facilities granted to these sales agents in connection with their purchase of our products in the ordinary course of business. Such banking facilities are used by our agents to issue bank acceptance drafts in the Group's favour for the settlement of purchases. As at 31 December 2006, 2007 and 2008, we provided guarantees of approximately RMB326 million, RMB629 million and RMB527 million respectively, in connection with banking facilities granted to these sales agents, of which RMB273 million, RMB370 million and RMB276 million were utilised as at 31 December 2006, 2007 and 2008 respectively. Although we are not aware of any default by any of these sales agents under the banking facilities guaranteed by us, any future default may lead the banks to call upon us to repay the outstanding amounts, which may adversely affect our financial condition and results of operations.

We rely on a limited number of suppliers for raw materials and certain key parts and components.

For each of the three years ended 31 December 2008, the total purchases from our top five suppliers accounted for approximately 38 per cent., 34 per cent. and 31 per cent., respectively, of our total purchases. We have had a business relationship with our five largest suppliers for an average of seven years. We procure certain core parts of our wheel loaders from a small number of suppliers. For the year ended 31 December 2008, approximately 88 per cent. of our diesel engines were sourced from Weichai Power and approximately 97 per cent. of our tyres were sourced from Aeolus Tyre Company Limited. There can be no assurance that these suppliers will continue to supply raw materials and components to us on existing or similar terms, or at all. If the supply of raw materials and components from our major suppliers is interrupted or the terms of supply change substantially and we cannot obtain comparable replacements in a timely manner or on comparable terms or at all, our financial condition and results of operations may be adversely affected.

Mismanagement of inventories stored at our sales agents' warehouses may adversely affect our business.

A portion of our products are stored at our sales agents' warehouses in anticipation of sales. Our products are shipped to the sales agents' warehouses only after approval is provided by the responsible regional sales manager. The quantity delivered depends on various factors, including the storage capacity of our sales agents' warehouses, historical sales performance of the sales agents and our marketing strategies. The amount of product inventories stored off-site totalled approximately RMB504 million, RMB564 million and RMB1,238 million as at 31 December 2006, 2007 and 2008, respectively. We have agreements in place with our sales agents which deal with the safekeeping of the off-site inventories. However, if for any reason there is material loss of, or damage to, our product inventories stored at our sales agents' warehouses, our financial condition, results of operations and prospects may be adversely affected.

Our continued growth depends on our R&D capabilities.

Our ability to introduce new models of existing product lines and to launch new products depends largely on our R&D capabilities. Our R&D of road rollers, excavators and other infrastructure machinery is only at an infant stage when compared to leading international infrastructure machinery manufacturers. If we are unable to enhance our R&D capabilities to improve our existing products or to develop new products that meet infrastructure machinery users' changing requirements or if we are unsuccessful in developing other infrastructure machinery, we may be placed at a disadvantageous position against our competitors, thereby adversely affecting our results of operations and future development.

We may not be able to implement our future plans efficiently or at all.

Our future growth is primarily dependent on our successful implementation of our strategies and future plans. We may be unable to manage our anticipated growth and the expansion of our operations efficiently. The implementation of our growth strategies and plans may be affected by many factors including changes in the competitive landscape in the industry, the availability of technological resources, our ability to enhance our existing R&D and production capabilities and capacities, changes in demand and market trends, the emergence of new product models or products, changes in government policy or administrative rules in relation to our major projects or products. If any of our strategies and plans cannot be successfully implemented, our financial condition, results of operations and prospects may be adversely affected.

Our business and expansion plans will be adversely affected if we are unable to repay existing debt, redeem the Existing Convertible Bonds or to secure additional financing.

Short-term bank borrowings are an important source of financing to our operations and we will incur additional short-term debt to fund our expansion plans. We issued the Existing Convertible Bonds in 2007 of which US\$163,120,000 in principal amount remains outstanding as at 30 June 2009. Holders of the Existing Convertible Bonds have the right to require us to redeem some or all of their Existing

Convertible Bonds pursuant to the Put Option. As at 31 December 2006, 2007 and 2008, our bank borrowings repayable within one year amounted to approximately RMB267 million, nil and RMB361 million, respectively. Our gross debt to equity ratios as at the same dates were approximately 15.00 per cent., 66.03 per cent. and 67.78 per cent., respectively. We believe we have a good relationship with our lending banks and have not experienced material difficulties in obtaining additional financing from them after the maturity of previous loans. In the event that our borrowing costs increase or that our business operation, results or financial position is adversely affected by any of the risks outlined in this Offering Circular or otherwise, we may have difficulty in repaying principal in respect of, or servicing underlying interest payments on, existing debt including the redemption of the Existing Convertible Bonds and/or obtaining additional financing, which will have a material adverse effect on our business, financial position and results of operations.

The tightened credit policies of the PRC government may adversely affect our suppliers and customers.

Since 2003, in response to concerns about economic overheating, the PRC government implemented a range of austerity measures, including measures aiming at tightening credit control in the banking sector. In the short run, these measures will have negative repercussions for existing enterprises which are categorised as engaging in “prohibited projects” or “restricted projects”. Whilst the infrastructure machinery industry does not fall within these categories, steel manufacturers, one of our major categories of suppliers, are among the overheated sectors that have been specifically targeted with these adjustment measures. In addition, some of our customers rely on bank financing to purchase our products. If our steel suppliers are unable to obtain bank financing due to the tightened credit control measures as a result of the macro-economic adjustment policies, this may affect the amount of raw materials available in the market, the pricing of such raw materials and consequently, our cost of sales which may adversely affect our business and results of operations. If our customers are unable to obtain bank financing due to the tightened credit control measures, this may affect our sales performance. Further, if our customers, who are predominantly our sales agents, are unable to obtain financing, we may need to provide guarantees for greater amounts to their banks to enable them to obtain financing – see “– We guarantee certain bank loans to some of our sales agents and may be required to repay such loans if our sales agents default”.

Our tax benefits, including preferential corporate tax rates, in the PRC may be reduced or eliminated.

Most of our PRC subsidiaries enjoy income tax concessions from the PRC government, which exempt these entities from enterprise income tax for two years beginning from their first profit-making year and reduce their enterprise income tax rate to 50 per cent. of the statutory rate for the subsequent three years. During any given fiscal year, certain of our subsidiaries may reach the end of their tax exemption or tax reduction periods, thereby increasing our overall tax obligations and affecting our results of operations. Longgong (Shanghai) Machinery Co., Ltd. and Longgong (Fujian) Machinery Co., Ltd. have been our major revenue contributors. The five-year tax relief period for each of Longgong (Shanghai) Machinery Co., Ltd. and Longgong (Fujian) Machinery Co., Ltd. began in 2005 and will expire at the end of 2009. When such tax holidays expire, they may not be renewed, and, as a result, our relevant subsidiaries will start to pay tax at the statutory rate ranging from 24 per cent. to 33 per cent. and our tax liability will increase. There can be no assurance that we will receive additional tax benefits from the PRC government. In addition, we cannot assure you that the current PRC tax laws on which the above tax benefits are based, and their application or interpretation will remain unchanged. To the extent that there are any such changes, our tax liability may increase, which may adversely affect our financial condition and results of operations.

We rely on our key management.

Our success is, to a large extent, built on the expertise and experience of our senior management and certain other key technical and management personnel, including, among others, Mr Li, Mr Qiu Debo and Mr Luo Jianru, who are executive Directors and are responsible for our business strategies, sales and marketing, daily management and operation. They have extensive experience in the infrastructure machinery industry. Should any of the Directors or the key management personnel cease to be involved in our management, our business operations may be adversely affected. Our

continued success is also dependent on our ability to continuously recruit experienced, qualified and talented professionals. Should we encounter any serious difficulty in retaining or recruiting suitable professional personnel, our operations and business prospects may be adversely affected.

We may not be permitted to use or occupy certain of our leased properties.

We are unable to ascertain whether the landlords of certain properties that we lease have legal title to or the rights or authorisations to lease such properties. Such properties include certain production facilities occupying a total gross floor area of approximately 10,170 square meters and some dormitory buildings for our employees occupying a total gross floor area of approximately 8,285 square meters. If the landlord of any of these leased properties lacks title to that property or the right or authorisation to lease the property, the relevant lease agreement may not be valid under PRC law. Accordingly, the true owner of such property would have the right to take possession and could request us to vacate the property. In addition, the leases in respect of the above leased properties have not been registered and filed with the relevant land and real estate administration bureau. The absence of such filing and registration may result in the lack of protection for us, as lessee, against third parties and administrative penalties may be imposed on us.

Disputes over intellectual property rights could be costly and could deprive us of needed technology.

We own or otherwise have rights to a number of trademarks and patents. Existing laws in the PRC offer limited protection of our intellectual property rights. Enforcing our intellectual property rights could be costly and we may not be able to detect unauthorised use or take appropriate and timely actions to enforce our intellectual property rights.

If potentially infringing conduct is discovered or claims on use or infringement of intellectual property are brought against us, we may need to defend our intellectual property rights in legal proceedings. Defending such claims, should they arise, would divert our financial and human resources from the core activities related to our operations. If we do not prevail in such proceedings, we may not be able to stop the third parties from continuing to use the relevant intellectual property and may be required to pay damages and be barred from using certain trademarks, technologies, designs or other intellectual property rights. No assurance can be given that we will be able to develop non-infringing substitutes or replacements or to obtain licenses to such intellectual property rights on commercially reasonable terms or at all.

We may have to devote significant resources to defend product liability claims.

We may be subject to product liability claims, suits and complaints incidental to our business in the PRC. If our products are found defective and/or cause property or economic loss or damage or physical injury to any person, we may have to devote significant resources to defend any such potential claims or to provide compensation. This may also adversely affect our relationship with our customers, lead to negative publicity and have other adverse consequences, any of which may adversely affect our financial condition, results of operations and prospects.

Compliance costs associated with environmental regulations may be high.

Environmental protection laws and regulations and their enforcement in the PRC may become more stringent in the future. Increased compliance costs, environmental remediation expenses and fines or penalties may result in an increase of our capital investment and operating expenses. In addition, if we fail to comply with such laws and regulations, such failure, or any claim resulting from such failure, may result in substantial fines or other liabilities against us and the suspension of our operations, and may cause delay in our production and capacity expansion, any of which may have an adverse affect on our financial condition, results of operations and prospects. Furthermore, additional environmental matters may arise in the future at sites where no problem is currently known or at sites acquired in the future.

Any future dividends may not be consistent with our historical dividend distributions.

Up to 31 December 2008, we have made the following dividend distributions:

- cash dividends totalling approximately RMB349 million were declared and approved by the Company for the year ended 31 December 2007;
- cash dividends totalling approximately RMB240 million were declared and approved by the Company for the year ended 31 December 2008; and
- final dividends totalling approximately RMB47 million for the year ended 31 December 2008 were declared and approved at the Company's annual general meeting on 29 May 2009.

We cannot assure you that dividend distributions will continue to be made by us, whether at levels consistent with or higher or lower than historical dividends, or with a particular pattern, or if at all. Dividends to be declared by us will be subject to the recommendation of the Directors after taking into account various factors, including our earnings, financial condition, cash requirements and liquidity, and other relevant factors. The historical dividend distribution record referred to above should not be used as a reference or basis to determine or predict the amount of dividend payable, if any, in the future.

RISKS RELATING TO THE INFRASTRUCTURE MACHINERY INDUSTRY IN THE PRC

Our results of operations and prospects depend heavily on the growth and performance of infrastructure and mining-related industries.

The growth in sales of our wheel loaders is primarily driven by the continuous growth of the infrastructure and mining-related industries, which are in turn affected by government policies and the general economic conditions in the PRC. Any government policy affecting the infrastructure and mining-related industries and any significant economic downturn in the PRC could have a material impact on the level of demand for wheel loaders in the PRC. The current global economic slowdown caused the infrastructure machinery industry to experience a drastic change in 2008: we shifted from being faced with strong demand and sharp rises in the cost of raw materials in the first half of 2008 to rapidly shrinking demand in the second half of 2008. If a prolonged downturn in the infrastructure or mining-related industries occurs, our financial condition and results of operations will be adversely affected.

We are exposed to fluctuations in the price of steel.

Steel is one of the major raw materials for wheel loaders. For the three years ended 31 December 2008, steel cost accounted for approximately 20.6 per cent., 21.0 per cent. and 24.0 per cent., respectively of our total cost of production. We have experienced significant price fluctuations for steel during the year ended 31 December 2006. The market price of steel may continue to increase in the future and there can be no assurance that we can increase our selling prices for our products to pass such increased costs to our customers.

We operate in a highly competitive industry and we may be unable to compete effectively.

We currently face competition mainly from domestic wheel loader manufacturers in the PRC. Given the potential market demand for infrastructure machinery, other manufacturers have also entered the market. We believe any increase in competition may dilute our market share and lead to price reductions and increased expenses in marketing and product development. In addition, following the PRC's accession to the World Trade Organisation on 11 December 2001, competition from foreign competitors, who may have greater financial resources, more advanced technology and other competitive advantages, may intensify. These foreign competitors may include wholly-foreign owned enterprises or joint ventures set up in the PRC by international manufacturers, particularly in the excavator market. To the extent that our competitors, whether domestic or foreign, gain competitive advantages in terms

of pricing, product quality, brand name recognition and financial and technical resources, our market share, future plans and development (including our ability to launch or market new products in a commercially viable manner) and results of operations may be adversely affected.

Our results of operations are subject to seasonality and therefore comparisons of interim period performance may not be meaningful.

The infrastructure machinery industry in China is subject to seasonal variations in construction activities. Our turnover in the first quarter during the period after the Chinese New Year and the fourth quarter, being the peak seasons for the commencement and completion, respectively, of construction projects in China, tend to be higher than other periods of the year. For the year ended 31 December 2008, the unaudited turnover for the first six months and the second six months amounted to approximately RMB3,991 million and approximately RMB2,154 million, representing approximately 65 per cent. and 35 per cent., respectively, of our turnover in 2008. As a result, comparisons of our results of operations based on interim period performance may not be meaningful.

RISKS RELATING TO THE PRC

Currently, all of our assets are located in the PRC and all of our revenues are derived from operations in the PRC. As a result, our business, operations and financial condition are subject to the economic, political, social and legal conditions in the PRC.

Political and economic conditions in the PRC may affect our business.

The political system and economy of the PRC differ in many ways from those of most developed countries. Before its implementation of the economic reform and open door policies in 1978, the PRC's economy was primarily a planned economy. Since then, the PRC government has been reforming its economic system. It has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasised the autonomous enterprise business model and the utilisation of market mechanisms. There can be no assurance that changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have any adverse effect on our current or future business.

Uncertainties regarding interpretation and enforcement of PRC laws and regulations may limit the legal protections available to our Bondholders.

The PRC legal system is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. The PRC is still in the process of developing a comprehensive statutory framework and its legal system may be considered to be underdeveloped in comparison with legal systems in some developed countries. Since 1979, the Chinese legislative bodies have promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. Since then, there has been a tendency in legislation towards giving increasing protection to foreign investors.

Despite significant improvement in its developing legal system, the enforcement of existing laws and regulations may be uncertain or inconsistent, and the interpretation of these laws and regulations may change from time to time. Any such change could have an adverse impact on our business.

PRC government control of currency conversion may affect the value of investment in the Bonds.

The Renminbi currently is not a freely convertible currency. Presently, our operations are primarily in China and we receive almost all of our revenues in Renminbi. Therefore, fluctuations in the Renminbi exchange rate against other currencies currently do not have a material impact on the results of our operations. However, the foreign exchange risk impact will become more significant as we expands further into overseas markets in the future. Any plans to purchase raw materials as well as

equipment from overseas vendors and the fact that we will be required to pay principal, interest and/or dividends in a currency other than Renminbi to holders of the Bonds will also increase our foreign-currency denominated obligations, which, in turn, expose us to greater foreign exchange risk.

As a result, our results of operations are exposed to fluctuations in the Renminbi exchange rate against foreign currencies. The value of the Renminbi may fluctuate due to a number of factors. Since 1994, the conversion of Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on the rate set by the PBOC and the official exchange rate for the conversion of Renminbi to US dollars has generally been stable. As of 21 July 2005, the Renminbi was no longer pegged to the US dollar but to a basket of currencies and since that date has appreciated by approximately 21.1 per cent. as at 18 August 2009.

Any future exchange rate volatility relating to the Renminbi may give rise to uncertainties in the value of our net assets, earnings and dividends. An appreciation of the Renminbi may result in increased competition from foreign competitors; a devaluation of the Renminbi may adversely affect the value of its net assets, earnings and dividends in foreign currency terms.

Our PRC subsidiaries are subject to PRC rules and regulations on currency conversion. The ability of our PRC subsidiaries to pay dividends or make other distributions to it may be restricted by these PRC foreign exchange control restrictions. In addition, under PRC law our subsidiaries may only pay dividends out of distributable reserves as determined under PRC GAAP. As a result, our subsidiaries may not have sufficient or any distributable reserves to make dividend distributions to us in the future, including in periods in which their financial statements indicate that operations have been profitable. There can be no assurance that the relevant regulations will not be amended to our disadvantage and that the ability of our PRC subsidiaries to distribute dividends to us will not be adversely affected.

Under the existing foreign exchange regulations in the PRC, we may undertake current account foreign exchange transactions, including payment of interest or dividends, without prior approvals from the State Administration of Foreign Exchange (the “SAFE”) by producing commercial documents evidencing such transactions, provided that they are processed through designated banks licensed to engage in foreign currency transactions. However, foreign exchange transactions for capital account purposes, which may include direct overseas investment and various international loans, require the prior approvals of or registration with SAFE. If we are unable to obtain SAFE’s consent to convert Renminbi into foreign currencies for such purposes, our capital expenditure plan and, consequently, our results of operations and financial condition could be adversely affected.

If the favourable tax treatment that we currently receive is altered or eliminated, our business may be adversely affected.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the People’s Republic of China (the “New Tax Law”) which came into effect on 1 January 2008 and the income tax rate is expected to gradually adjust to the standard rate of 25% over a five-year transition period. Foreign invested manufacturing enterprises which have not fully utilised their five-year tax holiday will be allowed to continue to receive the benefits of the full exemption or reduction in income tax rate during the five-year transition period. The New Tax Law also provides that “Technological Advanced Enterprises” will be subject to an income tax rate of 15%. On 14 April 2008, the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation of the PRC promulgated the Measures for the Administration of Recognition of Technologically Advanced Enterprises, which stipulates the conditions and procedures for companies to be recognised as “Technologically Advanced Enterprises”. Our PRC subsidiaries, being Longgong Shanghai Machinery Co., Ltd. and Longgong Fujian Machinery Co. Ltd have applied to be considered “Technologically Advanced Enterprises” and other PRC subsidiaries of the Company may make applications in the future. However, there is no assurance that any of our PRC subsidiaries will be recognised as “Technologically Advanced Enterprises” and accordingly be entitled to the 15% preferential income tax rate.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax law.

Under the new PRC enterprise income tax law and the implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the enterprise is established and the PRC, any gain realised on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If the Company is considered a PRC “resident enterprise”, it is unclear whether the dividends paid in respect of Shares, or the gain you may realise from the transfer of Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the new PRC enterprise income tax law and the implementation regulations. If the Company is required under the new PRC enterprise income tax law to withhold PRC income tax on dividends payable to foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Any future outbreak of mass communicable diseases such as Severe Acute Respiratory Syndrome (“SARS”), avian or swine influenza or other new or contagious diseases could materially and adversely affect our financial condition and the results of operations.

In 2003, there was an outbreak of SARS, a highly contagious and potentially deadly disease in Hong Kong, along with many other countries in Asia. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Since the latter half of 2005, there have been media reports regarding the spread of the H5N1 virus or “Avian Influenza A” among birds and poultry and, in some isolated cases, transmission of Avian Influenza A virus from animals to human beings. Similarly, since early 2009, there have been media reports regarding the spread of the H1N1 virus or “Swine Influenza A” from animals to humans and of human-to-human transmission of Swine Influenza A. Although we have a disaster recovery plan and a business continuity plan in place, any further significant outbreak of a highly contagious disease may adversely affect our financial condition and the results of operations.

RISKS RELATING TO THE BONDS AND THE SHARES

Claims by holders of the Bonds are structurally subordinated to creditors of the Company’s subsidiaries and associated companies.

The Company is primarily a holding company and its ability to make payments in respect of the Bonds depends largely upon the receipt of dividends, distributions, interests or advances from its subsidiaries. The ability of the Company’s subsidiaries to pay dividends and other amounts to the Company may be subject to their profitability and applicable laws.

Payments under the Bonds are structurally subordinated to all existing and future liabilities and obligations of each of the Company’s subsidiaries. Claims of creditors of such companies will have priority as to the assets of such companies over the Company and its creditors, including holders of the Bonds.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. No assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. The Lead Manager is not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Lead Manager.

Future issues, offers or sales of Shares may affect the market price of the Bonds.

The market price of the Bonds and the Shares could decline as a result of future issues, offers or sales of a large number of the Shares or securities convertible or exchangeable into or exercisable for the Shares or any securities or financial instruments whose economic value is determined directly or indirectly by reference to the market price of the Shares, or the perception that such issues, offers or sales could occur. If a large number of the Shares is sold, the market price for the Bonds or the Shares could be depressed. As we will continue to require significant funding to develop its current and future projects, we may need to raise further capital by way of equity or equity-linked issues in future.

Hong Kong listed companies may be subject to less stringent disclosure obligations than in certain other jurisdictions.

There may be less publicly available information about companies whose equity securities are listed in Hong Kong, such as the Company, than is regularly made available by public companies in certain other countries.

Disposition of Shares by existing shareholders may affect the market price of the Bonds.

While the Directors are not aware of any specific plans by any of the Company's major shareholders to dispose of a significant amount of the Shares, there can be no assurance that one or more of the Company's shareholders will not dispose of Shares in the future. There can be no assurance that any future disposition or transfer of Shares, or the availability of the Shares for future sale, will not have an adverse effect on the market price of the Shares or the Bonds. Sales of substantial amounts of the Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the Shares or the Bonds.

Conversion or redemption of Existing Convertible Bonds may affect the market price of the Bonds.

The holders of the Existing Convertible Bonds have the right to convert the Existing Convertible Bonds at any time up to the seventh business day prior to 30 April 2012, which is the scheduled maturity date of the Existing Convertible Bonds, or to require the Company to redeem the Existing Convertible Bonds on 30 April 2010 and/or 30 April 2012 pursuant to the terms and conditions of the Existing Convertible Bonds. There can be no assurance that any conversion or redemption of the Existing Convertible Bonds will not have an adverse effect on the market price of the Shares or the Bonds.

The trading price of the Shares has been, and may continue to be, volatile and this volatility may affect the trading price of the Bonds

The trading price of the Shares has been, and may continue to be, subject to large fluctuations. The price of the Shares may increase or decrease in response to a number of events and factors, including:

- quarterly variations in operating results;
- changes in financial estimates and recommendations by securities analysts;
- the operating and stock price performance of other companies in the husbandry industry;
- developments affecting the Group, its customers or its competitors;
- changes in government regulations;

- changes in general economic conditions;
- changes in accounting principles; and
- other events or factors described in this Offering Circular.

This volatility may adversely affect the price of the Shares, and by extension the price of the Bonds, regardless of the Group's operating performance.

We may be unable to redeem the Bonds.

On certain dates, including on a Change of Control, on a Delisting of the Shares, and at maturity we may (and at maturity, will) be required to redeem all or a portion of the Bonds. If such an event were to occur, we may not have sufficient cash and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by us would constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness.

Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

There will be dilution of existing shareholders upon conversion of the Bonds or the Existing Convertible Bonds.

The conversion of the Bonds or the Existing Convertible Bonds will dilute the relative shareholding of existing holders of the Shares. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the existence of the Bonds and the Existing Convertible Bonds may facilitate short selling of the Shares by market participants.

Holders of the Bonds have limited anti-dilution protection.

The conversion price of the Bonds will be adjusted in the event that there is a subdivision, consolidation or reclassification of the Shares, rights issue of the Shares or grant of options over the Shares, capitalisation of profits or reserves, capital distribution or other issue that affects the Shares, but only in the circumstances and only to the extent provided in "*Terms and Conditions of the Bonds—Conversion*". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds. Holders of the bonds will have no rights as holders of the Shares until the conversion of the Bonds. Unless and until holders of the Bonds acquire the Shares upon conversion thereof, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, holders of the Bonds will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of the conversion.

The laws of the Cayman Islands may provide less protection to Bondholders than the laws of other jurisdictions

The Company is an exempted company incorporated with limited liability in the Cayman Islands and the laws of the Cayman Islands differ in some respects from those of jurisdictions where investors may be located. As a result, Bondholders may not enjoy the same level of protection as may be available under the laws of other jurisdictions.

TERMS AND CONDITIONS OF THE BONDS

The following (other than the words in italics) is the text of the Terms and Conditions of the Bonds substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the Zero Coupon Convertible Bonds in the initial aggregate principal amount of US\$135,000,000 due 2014 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) by Lonking Holdings Limited (the “**Company**”), was authorised by a resolution of the Board of Directors of the Company passed on 7 August 2009. The Bonds are constituted by, are subject to, and have the benefit of a trust deed (as amended or supplemented from time to time) (the “**Trust Deed**”) to be dated on 24 August 2009 and entered into between the Company and The Bank of New York Mellon as trustee for the holders of the Bonds (the “**Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed). The Company has entered into a paying, conversion and transfer agency agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) to be dated on 24 August 2009 with the Trustee, The Bank of New York Mellon as principal paying, conversion and transfer agent (the “**Principal Agent**”), The Bank of New York Mellon as registrar (the “**Registrar**”) and the other paying, conversion and transfer agents appointed under it (each a “**Paying Agent**”, “**Conversion Agent**”, “**Transfer Agent**” (references to which shall include the Registrar) and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. References to the “**Principal Agent**”, “**Registrar**” and “**Agents**” below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection by the Bondholders at the registered office of the Trustee being at the date hereof at 40th Floor, One Canada Square, London E14 5AL, United Kingdom and at the specified offices of each of the Agents. The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1 STATUS

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, except as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.

2 FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Bonds are issued in registered form, and shall be offered, sold and transferred in the denomination of US\$10,000 each or integral multiples thereof without coupons attached. A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be serially numbered with an identifying number which shall be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Company shall procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg. The conditions are modified by certain provisions contained in the Global Certificate. See “The Global Certificate” and “The Offering” in the Offering Circular.

2.2 Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” mean the person in whose name a Bond is registered.

3 TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

3.1 Register

The Company will cause the Register to be kept at the specified office of the Registrar outside of Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds.

3.2 Transfers

Subject to Conditions 3.5 and 3.6 and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond with the form of transfer on the back of such Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified offices of any Transfer Agent. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

3.3 Delivery of New Certificates

3.3.1 Each new Certificate to be issued upon a transfer of the Bonds will, within five Business Days of receipt by the relevant Transfer Agent of the form of transfer duly completed and signed, be mailed at the expense of the Company by uninsured mail at the risk of the holder entitled to the Bonds to the address specified in the form of transfer.

Except in limited circumstances described herein (see “The Global Certificate” in the Offering Circular), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

3.3.2 Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds. Where some but not all of the Bonds in respect of which a Certificate is issued are to be transferred, redeemed or converted, a new Certificate in respect of the Bonds not so transferred, redeemed or converted shall, within five Business Days of deposit or surrender of the original Certificate with or to the relevant Agent, be mailed at the Company’s expense by uninsured mail at the risk of the holder of the Bonds not so transferred, redeemed or converted to the address of such holder appearing on the Register.

3.3.3 For the purposes of these Conditions (except for Conditions 5.4.8, 6 and 7), “**Business Day**” shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the relevant Agent, with whom a Certificate is deposited in connection with a transfer, redemption or conversion, is located.

3.4 Formalities Free of Charge

Registration of a transfer of Bonds will be effected without charge by or on behalf of the Company or any of the Agents, but upon (i) payment (or the giving of such indemnity as the Company or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; and (ii) the Company or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

3.5 Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the dates for payment of any principal pursuant to the Conditions; or (ii) after a Conversion Notice (as defined in Condition 5.2) has been delivered with respect to a Bond; or (iii) after an Early Redemption Notice (as defined in Condition 7.4 has been deposited in respect of such a Bond; or (iv) after a Change of Control Redemption Notice (as defined in Condition 7.5) has been deposited in respect of such a Bond; or (v) after a Delisting Redemption Notice (as defined in Condition 7.6) has been deposited in respect of such a Bond, each such period being a “**Closed Period**”.

3.6 Regulations on Transfer

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge but at the expense of the Company) by the Registrar to any Bondholder upon written request.

4 NEGATIVE PLEDGE

So long as any Bond remains outstanding (as defined in the Trust Deed), the Company will not create or permit to subsist, and the Company will procure that no Subsidiary (as defined in Condition 9.1 below) will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest securing any obligation of any person (“**Security**”) upon the whole or any part of its undertaking, property, assets or revenues (including any uncalled share capital), present or future (“**Assets**”), to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities and the Company will procure that no Subsidiary will guarantee any International Investment Securities unless, at the same time or prior thereto, the Company’s obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith (or are so guaranteed), or (b) have the benefit of such other Security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders. For the purposes of this Condition 4:

“**International Investment Securities**” means any present or future indebtedness in the form of, or represented by, bonds, debentures, loan stocks, notes, bearer participation certificates, depositary receipts, certificates of deposit or other investment securities or instruments which are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not initially distributed by way of private placement).

5 CONVERSION

5.1 Conversion Right

5.1.1 *Conversion Period*: Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”. Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 5 October 2009 up to 3:30 p.m. (at the location of the Conversion Agent to which such Conversion Notice is delivered) on the Business Day falling on or immediately before the tenth day prior to the Maturity Date (as defined in Condition 7.1 (both days inclusive)) (at the location of the Conversion Agent to which a Conversion Notice is delivered) (but, except as provided in Condition 5.1.4 and Condition 9.2, in no event thereafter) or if such Bond shall have been called for redemption before the Maturity Date, then up to 3:30 p.m. (at the place aforesaid) on a date no later than ten Business Days (at the place aforesaid) prior to the date fixed for redemption thereof or if a Bond has been put for redemption by the holder of such Bond, then up to 3:30 p.m. (at the place aforesaid) on the Business Day prior to the day the holder submits the notice in respect of such Bond (the “**Conversion Period**”).

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted (translated into HK dollars at the fixed exchange rate of HK\$7.7502 = US\$1.00) (the “**Fixed Exchange Rate**”) by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted. On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest one Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 16 as soon as practicable after the determination thereof.

5.1.2 *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof by the Company. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the name of the same person, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 6 August 2009 which reduces the number of Shares outstanding, the Company will upon conversion of Bonds pay in cash a sum in US dollar equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 5.1.1, as corresponds to any fraction of a Share not issued if such sum exceeds US\$20, which sum shall be due on the date Shares are required to be delivered pursuant to Condition 5.2.3.

5.1.3 *Conversion Price and Conversion Ratio*: The price at which Shares will be issued upon conversion (as adjusted from time to time, the “**Conversion Price**”) will initially be HK\$7.00 per Share but will be subject to adjustment in the manner provided in Condition 5.3. The conversion ratio (the “**Conversion Ratio**”) is equal to the principal amount of each Bond converted into HK dollars at the Fixed Exchange Rate divided by the then Conversion Price.

5.1.4 *Revival and/or Survival after Default*: Notwithstanding the provisions of Condition 5.1.1, if (a) the Company shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date (as defined in Condition 7.1) by reason of the occurrence of any of the events referred to in Condition 9.1 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 7.1, the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, 3:30 p.m. (at the location of the Conversion Agent to which a Conversion Notice is delivered) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 5.1.1, any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined in Condition 5.2.1(ii)) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

5.1.5 *Meaning of “Shares”*: As used in these Conditions, the expression “**Shares**” means ordinary shares of par value HK\$0.10 each of the Company (which include ordinary shares of the Company listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company).

5.2 Conversion Procedure

5.2.1 Conversion Notice:

- (i) To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense by 3:30 p.m. on any Business Day (in the location of the Conversion Agent with whom the Conversion Notice is deposited) at the specified office of any Conversion Agent a notice of conversion (a “**Conversion Notice**”) in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate.
- (ii) The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 5.1.4 above) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Company consents to such withdrawal.

For the purposes of these Conditions, “**Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange (as defined in Condition 5.4 below) is open for securities trading.

5.2.2 *Tax and Expenses:* A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant tax authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the Cayman Islands, Singapore and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Company in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or Alternative Stock Exchange on conversion) (the “**Taxes**”) and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal by it of a Bond in connection with such conversion. The Company will pay all expenses arising from the issue of, and all expenses of obtaining and maintaining listing for, Shares arising on conversion of the Bonds. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued) will be required to represent in the Conversion Notice that it has paid such Taxes to the relevant tax authorities in settlement of Taxes payable pursuant to this Condition 5.2.2. Neither the Conversion Agent nor the Trustee is under any obligation to determine whether a Bondholder is liable to pay or has paid any taxes including stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 5.2.2. Neither the Company, the Trustee or any Agent shall be responsible or liable in any way to anyone for any failure or omission by any Bondholder to pay any Taxes.

5.2.3 *Registration:*

- (i) As soon as practicable, and in any event not later than seven Stock Exchange Business Days after the Conversion Date, the Company will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder paid as required by Conditions 5.2.1 and 5.2.2, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Company’s branch share register in Hong Kong and will, if the Bondholder has also requested in the Conversion Notice and for so long as the Shares are listed on the Hong Kong Stock Exchange and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (“**CCASS**”) effective from time to time, take all necessary action to procure that Shares are delivered through CCASS; or will make such certificate or certificates representing the Shares available for collection at the office of the Company’s Hong Kong branch share registrar (currently Computershare Hong Kong Investor Services Limited) notified to Bondholders in accordance with Condition 16 or, if so requested in the relevant Conversion Notice, cause its Hong Kong branch share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates representing the Shares to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such other documents (if any) as may be required by law to effect the transfer thereof, in which case a single certificate representing the Shares will be issued with respect to the same Conversion Notice and which are to be registered in the same name.

- (ii) If the Conversion Date in relation to any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 5.3, but before the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective the Company shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective immediately after the relevant record date.
- (iii) The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully-paid and in all respects rank pari passu with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of any Bond shall not be entitled to any rights the record date for which precedes the relevant Registration Date. Upon delivery of Shares in satisfaction of the Conversion Right of any converting Bondholder, and the completion of such registration in accordance with this Condition 5.2, the right of such converting Bondholder to repayment of principal, premium and any default interest in respect of the Bonds so converted shall be extinguished.
- (iv) If the record date for the payment of any dividend or other distribution in respect of the Shares falls on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 5.2.3 prior to the time such retroactive adjustment shall have become effective), the Company will pay to or to the order of the converting Bondholder an amount (the "**Equivalent Amount**") converted into US dollars at the Prevailing Exchange Rate (as defined in Condition 5.4.8), equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which such converting Bondholder would have been entitled had he on that record date been such a holder of record of Shares and will make the payment to such converting Bondholder at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a US dollar cheque drawn on a bank in New York or by transfer to a US dollar denominated account maintained by the payee with, a bank in New York City, in accordance with the instructions given by the relevant Bondholder in the Conversion Notice and sent to the address specified in the relevant Conversion Notice.

5.3 Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events:

5.3.1 Consolidation, Subdivision or Reclassification:

If and whenever there shall be an alteration to the number of the issued Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the number of issued Shares immediately before such alteration; and

B is the number of issued Shares immediately after such alternation.

Such adjustment shall become effective on the date the alteration takes effect.

5.3.2 Capitalisation of Profits or Reserves:

- (i) If and whenever the Company shall issue any Shares credited as fully-paid to the holders of the Shares (the “**Shareholders**”) as a class by way of capitalisation of profits or reserves, including Shares paid up out of distributable profits or reserves (save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received (a “**Scrip Dividend**”) and which would not have constituted a Capital Distribution (as defined in Condition 5.4.2)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of issued Shares immediately before such issue; and

B is the aggregate number of issued Shares immediately after such issue.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend which would not have constituted a Capital Distribution (as defined in Condition 5.4.2), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of issued Shares immediately before such issue;

B is the number of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price (on the date of the announcement of the price or value per Share of the Scrip Dividend) of the Shares issued by way of Scrip Dividend in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the number of Shares issued by way of such Scrip Dividend;

or

if the Company so decides, by making such other adjustment to the Conversion Price as an independent investment bank of recognised international standing, selected by the Company and approved in writing by the Trustee, shall certify to the Trustee as being fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

5.3.3 *Capital Distribution*: If and whenever the Company shall pay or make any Capital Distribution (as defined below) to the Shareholders (except where the Conversion Price falls to be adjusted under Condition 5.3.2 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

5.3.4 *Rights Issues of Shares or Options over Shares*: If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price (as defined below) per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

5.3.5 *Rights Issues of Other Securities*: If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant or issue of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Hong Kong Stock Exchange.

5.3.6 *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in Condition 5.3.4 above) wholly for cash any Shares (other than Shares issued (1) on the exercise of Conversion Rights or (2) on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in Condition 5.3.4 above) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares to be issued pursuant to such issue of Shares or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

5.3.7 *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities, if the Company or any Subsidiary (other than as mentioned in Conditions 5.3.4, 5.3.5 or 5.3.6 above) or (at the direction or request of or pursuant to any arrangements with the Company) any other company, person or entity shall issue wholly for cash any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

5.3.8 *Modification of Rights of Conversion etc:* If there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as mentioned in Condition 5.3.7 above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit (if at all) in such manner as an investment bank of international repute (acting as expert), selected by the Company and approved in writing by the Trustee considers appropriate for any previous adjustment under this Condition 5.3.8 or Condition 5.3.7 above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

5.3.9 *Other Offers to Shareholders*: If the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 5.3.4, 5.3.5, 5.3.6 or 5.3.7 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

5.3.10 *Other Events*: If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 5.3, the Company shall at its own expense request an independent investment bank of recognised international standing selected by the Company and approved in writing by the Trustee, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination PROVIDED THAT where the circumstances giving rise to any adjustment pursuant to this Condition 5.3 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.3 as may be advised by an independent investment bank of recognised international standing selected by the Company and approved in writing by the Trustee, to be in its opinion appropriate to give the intended result.

5.4 For the purposes of these Conditions:

5.4.1 “**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they do not have a primary listing on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

5.4.2 “**Capital Distribution**” means: (i) any distribution (of assets in specie) by the Company for any financial period whenever paid or made and however described declared after 6 August 2009 (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (ii) any cash dividend or distribution of any kind by the Company for any financial period (whenever paid and however described).

5.4.3 “**Closing Price**” for the Shares for any Trading Day shall be the closing market price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

5.4.4 “**Current Market Price**” means, in respect of a Share on a particular date, the average of the Closing Prices quoted by the Hong Kong Stock Exchange or, as the case may be, by the Alternative Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 20 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the Fair Market Value thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that:

- (1) if the Shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; and
- (2) if only one or no such Closing Prices is available in the relevant period, then the Current Market Price shall be the average of the Current Market Prices determined in good faith by an independent investment bank of international repute (acting as expert) appointed by the Company and approved by the Trustee in writing.

5.4.5 “**Dividend**” means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of Shares or other securities credited as fully or partly paid up) provided that:

- (i) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Shares be, satisfied by the issue or delivery of Shares or other property or assets, then, the Dividend in question shall be treated as a Dividend of (a) the cash Dividend so announced or (b) the Current Market Price on the date of announcement of such Shares to be issued or the Fair Market Value of other property or assets to be delivered in satisfaction of such Dividend (or which would be issued or delivered if all holders of Shares elected therefor, regardless of whether any such election is made) if the Current Market Price of such Shares or the Fair Market Value of other property or assets is greater than the cash Dividend so announced; and
- (ii) any issue of Shares falling within Condition 5.3.2 shall be disregarded.

- 5.4.6 “**Fair Market Value**” means, with respect to any assets, security, options, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an independent investment bank of recognised international standing selected by the Company and approved in writing by the Trustee; provided that (i) the fair market value of a cash Dividend paid or to be paid per Share shall be the amount of such cash Dividend per Share determined as at the date of announcement of such Dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded.
- 5.4.7 “**Trading Day**” means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no Closing Price is reported in respect of the relevant Shares on the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.
- 5.4.8 “**Prevailing Exchange Rate**” means a rate for exchanging US dollars and HK dollars; the “**Prevailing Exchange Rate**” applicable to any date shall be the bid rate for such exchange shown on the Reuters FWEN page at or about 11.00 a.m. (Hong Kong time) on the date which is two Business Days (as defined in Condition 6.6) before that date; if no such rate appears on the Reuters FWEN page, The Hongkong and Shanghai Banking Corporation Limited’s rate at such time (or the rate of such other bank as is selected by the Company and approved by the Trustee at such time) shall be used instead.
- 5.4.9 In the event that any proposed issue of Shares, options, warrants or other rights to subscribe for or purchase any Shares or other securities which would result in an adjustment to the Conversion Price pursuant to Condition 5.3.4 or 5.3.5 is subsequently cancelled or terminated after the relevant adjustment to the Conversion Price has become effective but prior to the actual issue of such Shares, options, warrants or other rights to subscribe for or purchase any Shares or other securities then the Conversion Price applicable immediately prior to such adjustment pursuant to Condition 5.3.4 or 5.3.3, as the case may be, shall (subject to any other adjustment to the Conversion Price pursuant to Condition 5.3 which becomes effective prior to the announcement of such cancellation or termination), be deemed to be the Conversion Price with effect from the date of such announcement of termination or cancellation. Any such adjustment to the Conversion Price as a result of this Condition 5.4.9 shall not have retrospective effect and shall not apply to or otherwise affect any conversion by a Bondholder in respect of which a valid Conversion Notice has been delivered to the Conversion Agent prior to the date of the relevant announcement.
- 5.4.10 Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of an independent investment bank of recognised international standing selected by the Company and approved in writing by the Trustee, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such independent investment bank, to be in its opinion appropriate in order to give such intended result.
- 5.4.11 No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 5.3.1 above or to correct a manifest error.

- 5.4.12 The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so or from any failure by the Company to effect a required adjustment.
- 5.4.13 The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their nominal value.
- 5.4.14 The Trustee shall be entitled to rely on any certificates issued to it pursuant to these Conditions without any further investigation or liability in respect thereof.

The Trustee and the Agents shall be under no duty to calculate, determine or verify the number of Shares to be issued upon conversion of the Bonds or verify the Company's determination of such number of Shares or the method used in such determination nor calculate, monitor or verify the Conversion Price or any adjustment thereto and neither the Trustee nor the Agents shall be responsible to Bondholders or any other person for any loss from failure to do so or for any delay by the Company in making a determination or any erroneous determination.

5.5 Undertakings

- 5.5.1 The Company has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding:
- (i) it will use its reasonable commercial endeavours (a) to maintain a listing for all the issued Shares on the Main Board of the Hong Kong Stock Exchange, (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Main Board of the Hong Kong Stock Exchange and (c) if the Company is unable to obtain or maintain such listing, to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on an Alternative Stock Exchange as the Company may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 16 below of the listing or delisting of the Shares (as a class) by any of such stock exchanges;
 - (ii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or capital redemption reserve fund (except, in each case, as permitted by law);
 - (iii) it will use its reasonable commercial endeavours to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited and if the Company is unable to maintain such listing, to use its reasonable commercial endeavours promptly to obtain and maintain a listing on another internationally recognised stock exchange as approved by an Extraordinary Resolution of Bondholder and will forthwith give notice to the Bondholders in accordance with Condition 16 of the listing or delisting of the Bonds by any such stock exchange; and
 - (iv) it will keep available, free from pre-emptive or other rights, such number of Shares as would be required to be issued on conversion of all the Bonds from time to time remaining outstanding and to satisfy in full all other rights of conversion into or exchange or subscription for Shares and shall ensure that all Shares delivered on conversion of Bonds will be duly and validly issued as fully-paid and non-assessable, provided that the Company shall not be prohibited from purchasing its own Shares to the extent permitted by applicable laws and regulations.

5.5.2 The Company has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

5.6 Notice of Change in Conversion Price

The Company shall give notice to the Trustee, the Agents and the Bondholders in accordance with Condition 16 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

6 PAYMENTS

6.1 Principal, premium and default interest

Payment of principal, premium (if any) and default interest (if any) will be made by transfer to the registered account of the Bondholder or by US dollar cheque drawn on a bank in New York mailed to the registered address of the Bondholder if it does not have a registered account. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of the Agents.

6.2 Registered Accounts

For the purposes of this Condition, a Bondholder's registered account means the US dollar account maintained by or on behalf of such Bondholder with a bank in New York, details of which appear on the Register at 3:30 p.m. on the second Business Day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

6.3 Fiscal Laws

All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

6.4 Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day (as defined below), for value on the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal and any premium, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

6.5 Delay In Payment

If the Company fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 7 per cent. per annum (the "**Default Interest Rate**") from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the delay is due solely to the due date not being a Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

6.6 Business Day

In this Condition and in Condition 5.4.8, “**Business Day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong, London and New York and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

7 REDEMPTION, PURCHASE AND CANCELLATION

7.1 Redemption at Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Bond at 144.504 per cent. of its principal amount on 24 August 2014 (the “**Maturity Date**”). The Company may not redeem the Bonds at its option prior to that date except as provided in Condition 7.2 or Condition 7.3 below (but without prejudice to Condition 9).

7.2 Redemption at the Option of the Company

7.2.1 On and at any time after 24 August 2012 but not less than seven Business Days (as defined below) prior to the Maturity Date nor within a Closed Period, the Company may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem the Bonds in whole or in part, provided that the Closing Price of the Shares translated into US dollars at the Prevailing Exchange Rate for each of any 20 Stock Exchange Business Days falling within a period of 30 consecutive Stock Exchange Business Days, the last day of which occurs no more than 5 Stock Exchange Business Days prior to the date upon which notice of such redemption is given pursuant to Condition 16, was at least 130 per cent. of the Early Redemption Amount (as defined in Condition 7.5.5) divided by the Conversion Ratio applicable on each such Stock Exchange Business Day. If no price as aforesaid is reported on the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange, for one or more consecutive Stock Exchange Business Days, such day or days will be disregarded in the relevant calculations and will be deemed not to have existed when ascertaining such 30 Stock Exchange Business Day period.

7.2.2 Upon the expiry of any such notice, the Company will be required to redeem the Bonds at the Early Redemption Amount on the date fixed for such redemption.

7.2.3 In the case of a partial redemption of Bonds pursuant to Condition 7.2.1, the Bonds to be redeemed will be selected individually by lot, or such other method in such place as the Principal Agent shall approve and in such manner as the Principal Agent shall deem to be appropriate and fair, not more than 60 and not less than 30 days prior to the date fixed for redemption, the identifying numbers of the Bonds drawn for redemption and the Conversion Price will be published in accordance with Condition 16 by the Company not less than 30 days prior to such date.

7.2.4 If at any time after the commencement of the Conversion Period but not within a Closed Period, the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued, the Company shall have the option to redeem such outstanding Bonds in whole but not in part at the Early Redemption Amount. The Company will give at least 30 days’ but not more than 60 days’ prior notice to the Bondholders, the Trustee and the Principal Agent for such redemption (which notice shall be irrevocable) and upon the expiry of such notice, the Company will be required to redeem the Bonds at the Early Redemption Amount.

7.3 Redemption for Taxation Reasons

7.3.1 At any time after the commencement of the Conversion Period but not within a Closed Period, the Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Agent (which notice shall be irrevocable) redeem all, but not some only, of the Bonds, if the Company satisfies the Trustee immediately prior to the giving of such notice that (i) the Company has or will become obliged to pay additional amounts as referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Taxing Jurisdiction, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 August 2009, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee (a) a certificate signed by two directors of the Company stating that the obligation referred to in (i) above cannot be avoided by the Company (taking reasonable measures available to it), and (b) an opinion of independent legal or tax advisors of recognised international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice, the Company will be bound to redeem the Bonds at the Early Redemption Amount.

7.3.2 If the Company gives a notice of redemption under this Condition 7.3, each Bondholder shall have the right (the "**Non-Redemption Option**") to elect that all or a portion (being US\$10,000 in principal amount or an integral multiple thereof) of its Bonds not be redeemed. Upon the exercise of the Non-Redemption Option with respect to such Bonds, no additional amounts referred to in Condition 8 shall be payable on the payments due to such Bondholder after the date that would have been fixed for redemption and such payments shall be made subject to the deduction or withholding required under the laws or regulations of the Taxing Jurisdiction. For the avoidance of doubt, any additional amount that had been payable in respect of the Bonds under Condition 8 as a result of the laws or regulations of the Taxing Jurisdiction in effect on 6 August 2009 shall continue to be payable to such holders of the Bonds.

7.3.3 To exercise the Non-Redemption Option pursuant to this Condition 7.3, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed current notice of exercise, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed on or before the day falling seven Business Days prior to the date that would have been fixed for redemption.

7.4 Redemption at the Option of the Bondholders

The Company will, at the option of the holder of any Bond, redeem all or some (provided that all redemptions shall be for a minimum of US\$10,000 or integral multiples thereof) of that holder's Bonds on 24 August 2012 (the "**Early Redemption Date**"), at 124.718 per cent. of their principal amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Early Redemption Notice**") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 20 days prior to the Early Redemption Date.

An Early Redemption Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Company consents to such withdrawal) and the Company shall redeem the Bonds specified on the delivered Early Redemption Notice on the Early Redemption Date.

7.5 Redemption for Change of Control

7.5.1 Following the occurrence of a Change of Control (as defined below), the holder of each Bond will have the right at such holder's option, to require the Company to redeem all but not some only of such holder's Bonds on the Change of Control Redemption Date at the Early Redemption Amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent ("**Change of Control Redemption Notice**") by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Company in accordance with Condition 16. The "**Change of Control Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

7.5.2 A Change of Control Redemption Notice, once delivered, shall be irrevocable and the Company shall redeem the Bonds specified in any Change of Control Redemption Notice on the applicable Change of Control Redemption Date.

7.5.3 The Trustee shall not be required to take any steps to ascertain whether a Change of Control, or any event which could lead to the occurrence of a Change of Control, has actually occurred.

7.5.4 Not later than seven days after becoming aware of a Change of Control, the Company shall procure that notice regarding the Change of Control shall be given to Bondholders (in accordance with Condition 16) stating:

- (i) the Change of Control Redemption Date;
- (ii) the date of such Change of Control and, briefly, the events causing such Change of Control;
- (iii) the date by which any Change of Control Redemption Notice (as defined below) must be given;
- (iv) the Early Redemption Amount;
- (v) the names and addresses of all Paying Agents;
- (vi) the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Change of Control Redemption Right or Conversion Right; and
- (viii) that a Change of Control Redemption Notice, once validly given, may not be withdrawn.

7.5.5 For the purposes of this Condition 7:

- (i) “**control**” means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
- (ii) “**Early Redemption Amount**” means for each US\$10,000 principal amount of the Bonds, an amount determined to represent for the Bondholder a gross yield of 7.5 per cent. calculated on a semi-annual basis. The applicable Early Redemption Amount for each US\$10,000 principal amount of Bonds will be calculated by the Company on a semi-annual basis in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the relevant date fixed for redemption is a Semi-Annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-Annual Date):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1+r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each US\$10,000 in principal amount of Bonds on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to 24 February 2010, US\$10,000)

<u>Semi-Annual Date</u>	<u>Early Redemption Amount (US\$)</u>
24 February 2010	10,375.00
24 August 2010	10,764.06
24 February 2011	11,167.72
24 August 2011	11,586.50
24 February 2012	12,021.00
24 August 2012	12,471.79
24 February 2013	12,939.48
24 August 2013	13,424.71
24 February 2014	13,928.13
24 August 2014	14,450.44

r = 7.5 per cent. expressed as a fraction.

d = number of days from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before 24 February 2010, from and including the Closing Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

p = 180.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the Early Redemption Amount or be under any duty to monitor whether any event or circumstance has occurred or exists which enables the Company or the Bondholders to exercise the option to redeem the Bonds under this Condition 7 and will not be responsible to Bondholders or any other person for any loss arising from any failure by it to do so.

- (iii) a “**Change of Control**” occurs when:
- (a) any person or persons acting together (other than the Controlling Shareholder (defined below)) acting together acquires control of the Company if such person or persons does not or do not have, and would not be deemed to have control of the Company on 6 August 2009 (the person or persons acting together who does or do have such control as at such date, the “**Controlling Shareholder**”, which, for the avoidance of doubt, include Li San Yim and Ngai Ngan Yim and any of their respective associates and/or any trusts established for the benefit of their respective immediate family members and/or companies controlled by them, their respective immediate family members or related trusts and such companies’ direct or indirect subsidiaries); or
 - (b) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person in compliance with Condition 10, unless the consolidation, merger, sale or transfer will not result in another person or persons (other than the Controlling Shareholder) acquiring control over the Company or the successor entity.

7.6 Delisting Put Right

7.6.1 In the event the Shares cease to be listed or admitted to trading or the trading of which is suspended for a period of more than 20 consecutive Trading Days on at least one of the Hong Kong Stock Exchange and, if applicable, the Alternative Stock Exchange (a “**Delisting**”), each Bondholder shall have the right (the “**Delisting Put Right**”), at such Bondholder’s option, to require the Company to redeem all (but not some only) of such Bondholder’s Bonds on the twentieth Business Day after notice has been given to Bondholders regarding the Delisting referred to under Condition 7.6.2 below or, if such notice is not given, the twentieth Business Day after the Delisting (the “**Delisting Redemption Date**”) at the Early Redemption Amount (the “**Delisting Redemption Price**”).

7.6.2 Promptly after becoming aware of a Delisting, the Company shall procure that notice regarding the Delisting Redemption Right shall be given to Bondholders (in accordance with Condition 16) stating:

- (i) the Delisting Redemption Date;
- (ii) the date of such Delisting and, briefly, the events causing such Delisting;
- (iii) the date by which the Delisting Redemption Notice (as defined below) must be given;
- (iv) the Delisting Redemption Price;
- (v) the names and addresses of all Paying Agents;
- (vi) briefly, the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Delisting Redemption Right or Conversion Right; and
- (viii) that a Delisting Redemption Notice, once validly given, may not be withdrawn.

7.6.3 To exercise its rights to require the Company to purchase its Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a “**Delisting Redemption Notice**”), in the then current form obtainable from the specified office of any Agent together with the Certificate evidencing the Bonds to be redeemed, to any Paying Agent on any Business Day prior to 3:30 p.m. at the location of such Paying Agent on such day and which day is not less than ten Business Days prior to the Delisting Redemption Date.

7.6.4 A Delisting Redemption Notice, once delivered, shall be irrevocable and the Company shall redeem the Bonds which form the subject of the Delisting Redemption Notices delivered as aforesaid on the Delisting Redemption Date.

7.6.5 The Trustee shall not be required to take any steps to ascertain whether a Delisting, or any event which could lead to the occurrence of a Delisting, has actually occurred.

7.6.6 For the purposes of this Condition, “**Business Day**” shall mean a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and the place where, if required, any notice or Certificate is deposited pursuant to this Condition.

7.7 Redemption following exercise of a Put Option

Upon the exercise of any option to redeem the Bonds held by them by any Bondholder as specified in Conditions 7.4, 7.5 or 7.6, payment of the applicable redemption amount for the relevant Bonds represented by Certificate shall be conditional upon delivery of the Bondholder’s Certificate (together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of any other document(s) required by these Conditions, and will be made promptly following the later of the date set for redemption and the time of delivery of such Certificate. If the Paying Agent holds on the Redemption Date (as defined below) money sufficient to pay the applicable redemption monies in accordance with the provisions hereof upon exercise of such right, then, whether or not such Certificate is delivered to the Paying Agent, on and after such Redemption Date, (i) such Bond will cease to be outstanding as of the Redemption Date; (ii) such Bond will be deemed to have been redeemed in full as of the Redemption Date; and (iii) all other rights of the Bondholder shall terminate as of the Redemption Date (other than the right to receive the applicable redemption monies). “**Redemption Date**” shall mean the Early Redemption Date, the Change of Control Redemption Date or the Delisting Redemption Date, as applicable.

7.8 Purchases

The Company or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held, resold or cancelled. The Bonds so acquired, while held on behalf of the Company or any Subsidiary, shall not entitle the holders thereof to convert the Bonds in accordance with these Conditions nor exercise any voting rights with respect to such Bonds and will not be outstanding.

7.9 Cancellation

All Bonds which are redeemed or converted by the Company or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

7.10 Redemption Notices

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will be given in accordance with Condition 16 and shall specify the Conversion Price as at the date of the relevant notice, the last date on which the Conversion Right could be exercised the Closing Price of the Shares (as quoted on the Hong Kong Stock Exchange) as at the latest practicable date prior to the publication of the relevant notice, the date for redemption and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

8 TAXATION

8.1 All payments of principal, premium (if any) or default interest made by the Company will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Hong Kong or any other jurisdiction where the Company is incorporated or resident for tax purposes or through which payments on the Bonds are made or any authority thereof or therein having power to tax (a “**Taxing Jurisdiction**”), unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Company will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

8.1.1 to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Taxing Jurisdiction otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided under the laws of the Taxing Jurisdiction by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so following a timely request by the Company; or

8.1.2 (in the case of a payment of principal or any applicable premium) if the Certificate, if issued, in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days; or

8.1.3 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

8.1.4 presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Payment Agent or Conversion Agent in a Member State of the European Union; or

8.1.5 with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment; or

8.1.6 where, had the beneficial owner of the Bond been the holder of the Bond, it would not have been entitled to payment of additional amounts by reason of clauses 8.1.1 through 8.1.5 inclusive above.

- 8.2** For the purposes hereof, “**relevant date**” means the date on which such payment first becomes due except that if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques dispatched or payment made.
- 8.3** Any reference in these Conditions to principal, premium or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 EVENTS OF DEFAULT

- 9.1** The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding shall or it shall have been so directed by an Extraordinary Resolution (subject in all cases to being indemnified and/or secured by the Bondholders to its satisfaction), give notice to the Company that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at the Early Redemption Amount plus any interest thereon accrued at the Default Interest Rate (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 5) if any of the following events has occurred and is continuing:
- 9.1.1 default in the payment of any principal and/or premium due in respect of the Bonds;
- 9.1.2 failure by the Company to deliver the Shares as and when such Shares are required to be delivered following conversion of a Bond, which failure is not remedied within 5 Trading Days;
- 9.1.3 the Company does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed (other than those referred to in clauses 9.1.1 to 9.1.2 above) which default is incapable of remedy or is not remedied within 30 days after written notice of such default shall have been given to the Company by the Trustee;
- 9.1.4 the Company, or any Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of its debts or a moratorium is agreed or declared in respect of or affecting its debts, when the aggregated principal amount of such debts is equal or in excess of US\$15 million or its equivalent (as reasonably determined on the basis of the noon Hong Kong time spot rate for the relevant currency against the U.S. dollar (as quoted by any leading bank selected by the Trustee) on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);
- 9.1.5 (i) any other present or future indebtedness of the Company or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this

Condition 9.1.5 have occurred equals or exceeds US\$15 million or its equivalent in any currency or currencies (as reasonably determined on the basis of the noon Hong Kong time spot rate for the relevant currency against the U.S. dollar (as quoted by any leading bank selected by the Trustee) on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

- 9.1.6 a final judgment, decree or order by a competent jurisdiction is entered against the Company or any of its Subsidiaries in an amount that equals or exceeds US\$15 million or its equivalent and is not bonded, satisfied, discharged or stayed within 30 days;
- 9.1.7 a decree or order is entered or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of the Subsidiaries (except for a members' voluntary solvent winding up), or the Company or any Subsidiary ceases or threatens to cease or passes an effective resolution to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) as permitted by the Trust Deed or (b) in the case of a Subsidiary whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Company or another Subsidiary;
- 9.1.8 an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Company or any Subsidiary (as the case may be), which is material to the Company and its Subsidiaries as a whole and is not discharged within 30 days;
- 9.1.9 it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed or any consent or approval required to make the Company's obligations under the Bonds or the Trust Deed legally binding and enforceable is not obtained;
- 9.1.10 any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Subsidiaries, which is material to the Company and its Subsidiaries as a whole; or
- 9.1.11 any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

For the purposes of these Conditions:

“Subsidiary” or **“subsidiary”** means (i) any company or association or other business entity which the Company owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors or trustees of such company; or (ii) other business entity, or any company or other business entity which at any time has its accounts consolidated with those of the Company or which, under Hong Kong law or regulations, should have its accounts consolidated with those of the Company; or (iii) regarded as a subsidiary of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- 9.2** Notwithstanding receipt of any payment after the acceleration of the Bonds, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent during the period from and including the date of an acceleration notice with respect to an event specified in Condition 9 (at which time the Company shall notify the Trustee, the Agents and the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the 30th Business Day after such payment.

If any converting Bondholder deposits a Conversion Notice pursuant to this Condition 9.2 on the Business Day prior to, or during, a Closed Period, the Bondholder's Conversion Right shall continue until the Business Day following the last day of the Closed Period, which shall be deemed the Conversion Date, for the purposes of such Bondholder's exercise of its Conversion Right pursuant to this Condition 9.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 9.2, the Company will deliver Shares (which number will be disclosed to such Bondholder as soon as practicable after the Conversion Notice is given) in accordance with the Conditions, except that the Company shall have 12 Business Days before such Shares are registered in accordance with Condition 5.2.3 and an additional five Business Days from such registration date to make payment in accordance with the following paragraph.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 9, or if the Bonds have become due and payable pursuant to Condition 9.1.2, the Company shall, at the request of the converting Bondholder, pay to such Bondholder in lieu of delivery of Shares to such Bondholder an amount in Hong Kong dollars (the "**Default Cure Amount**"), equal to the product of (x) (i) the number of Shares that are required to be delivered by the Company to satisfy the Conversion Right in relation to such converting Bondholder minus (ii) the number of Shares that are actually delivered by the Company pursuant to such Bondholder's Conversion Notice and (y) the Share Price (as defined below) on the Conversion Date; provided that if such Bondholder has received any payment under the Bonds pursuant to this Condition 9, the amount of such payment shall be deducted from the Default Cure Amount.

The "**Share Price**" means the closing price of the Shares as quoted by the Hong Kong Stock Exchange or, as the case may be, Alternative Stock Exchange on the Conversion Date or, if no reported sales take place on such date, the average of the reported closing bid and offered prices, in either case as reported by the Hong Kong Stock Exchange or such other Alternative Stock Exchange on which the Shares are listed for such day as furnished by a reputable and independent broker-dealer selected from time to time by the Trustee provided that the Trustee shall not be obliged to appoint any such bank until it shall have been indemnified and/or secured to its satisfaction.

10 CONSOLIDATION, AMALGAMATION OR MERGER

The Company shall not merge or amalgamate or consolidate with or into any other corporation or entity (if the Company is not the surviving entity) or sell or transfer all or substantially all, of its assets, whether as a single transaction or a number of transactions, related or not, to any corporation, entity or person or to one or more members of any group under the common control of any corporation, entity or person unless:

- (i) the Company has notified the holders of the Bonds of such event in accordance with Condition 16;
- (ii) the Company and such corporation, entity or person have executed a deed supplemental to the Trust Deed, in form and substance satisfactory to the Trustee, and the supplemental trust deed includes the following: (a) the express assumption by such corporation, entity or person of the Company's obligations under the Bonds, the Trust Deed and the Agency Agreement, including the covenants contained in this Condition 10 relating to subsequent mergers, amalgamations, consolidations, sales or transfers; (b) provisions for the convertibility of each Bond then outstanding into the class and amount of Shares and other securities,

cash and other property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Shares into which such Bond would have been convertible immediately prior to such consolidation, convertible at the time of such consolidation, amalgamation, merger, sale or transfer) at the Conversion Price as adjusted from time to time pursuant to the Trustee Deed; and (c) provisions for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in the provisions of Condition 5.3;

- (iii) the corporation formed by such consolidation, amalgamation or merger, or the person that acquired such properties and assets, shall expressly agree, among other things, to indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such consolidation, amalgamation or merger with respect to the payment of principal and interest on the Bonds; and
- (iv) immediately after giving effect to any such consolidation, amalgamation, merger, sale or transfer, no default or Event of Default shall have occurred or be continuing or would result therefrom.

The Trustee need not have regard to such entity's financial condition, profits or prospects or compare them with those of the Company.

11 PRESCRIPTION

Claims in respect of payment of principal and premium (if any) on the Bonds will become prescribed unless made within 10 years from the relevant date (as defined in Condition 8) in respect thereof.

12 ENFORCEMENT

At any time after the Bonds have become due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall in all cases have been indemnified and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

13 MODIFICATION, WAIVER AND SUBSTITUTION

13.1 Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium or default interest payable in respect of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at

any adjourned such meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

13.2 Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 13.1 above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Company to the Bondholders as soon as practicable thereafter.

13.3 Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

13.4 Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Company in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

14 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and such Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 FURTHER ISSUES

The Company may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal).

Any such notice shall be deemed to have been given on the date of such publication or, if given by post, the seventh day after being so mailed.

So long as the Bonds are represented in the form of a Global Certificate and held on behalf of Euroclear or Clearstream, Luxembourg or an alternative clearing system, notice to holders of the Bonds must be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such alternative clearing system, for communication by it to accountholders.

17 AGENTS

The names of the initial Agents and the Registrar and their specified offices are set out below. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Company will at all times maintain (i) a Principal Agent, (ii) a Registrar outside of the United Kingdom and Hong Kong which will maintain the Register, (iii) an Agent having a specified office in a major financial center in Europe, (iv) a Paying Agent and Conversion Agent with a specified office in a European Union member state that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or comprising with, or introduced in order to conform to, such Directive and (v) so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require, a paying agent in Singapore. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Company to the Bondholders in accordance with Condition 16 and in any event not less than 15 days' notice will be given.

18 INDEMNIFICATION

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Company and any entity related to the Company without accounting for any profit.

19 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy of such person which exists or is available apart from such Act.

20 GOVERNING LAW

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds the Company has in the Trust Deed irrevocably submitted to the courts of England and Wales and in relation thereto has appointed Law Debenture Corporate Services Limited, now at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent for service of process in England.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of those provisions. Terms defined in the Conditions have the same meaning in the paragraphs below.

MEETINGS

The registered holder (as defined in the Conditions) of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US\$10,000 in principal amount of the Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

CANCELLATION

Cancellation of any Bond by the Company following its redemption, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

CONVERSION

Subject to the requirements of Euroclear and Clearstream or any other clearing system as shall have been designated by the Company and approved by the Trustee (an “**Alternative Clearing System**”), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

PAYMENT

Payments of principal, default interest (if any) and premium in respect of Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption options in Condition 7.4, 7.5 and 7.6 may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which any such option is exercised and presenting the Global Certificate for endorsement or exercise (if required) within the time limits specified in the Conditions.

REDEMPTION AT THE OPTION OF THE COMPANY

The options of the Company provided for in Condition 7.2 and 7.3 shall be exercised by the Company giving notice to the Bondholders within the time limits set out in and containing the information required by such Conditions and Condition 7.10 except that the notice shall not be required to contain the serial numbers of Bonds drawn for redemption in the case of a partial redemption of Bonds and accordingly no drawing of Bonds for redemption shall be required. Partial redemptions will be conducted in accordance with the rules of the relevant clearing system.

BONDHOLDER'S TAX OPTION

The option of the Bondholders to elect not to have the Bonds redeemed as provided in Condition 7.3.2 shall be exercised by the presentation to any Paying Agent, or to the order of such Paying Agent, of a duly completed current notice of exercise within the time limits set out in, and containing the information required by, Condition 7.3.3.

REGISTRATION OF TITLE

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

TRANSFERS

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

ENFORCEMENT

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, only the persons named in a certificate of the holder of the Bonds in respect of which the Global Certificate is issued may be recognised as the beneficiaries of the trust set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of Bonds in such principal amounts.

USE OF PROCEEDS

The proceeds from the issue of the Bonds, after deduction of the commissions and the estimated expenses relating to this offering, are expected to amount to approximately HK\$1,027 million which will be used for financing the Company's obligations to redeem the Existing Convertible Bonds early pursuant to the Put Option to the extent that the Put Option is exercised and for the Group's general working capital requirements.

CAPITALISATION AND INDEBTEDNESS

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

As at the date of this Offering Circular, the Company had an authorised share capital of HK\$500 million consisting of 5 billion Shares and an issued and fully paid up share capital of approximately HK\$214 million consisting of 2,140,050,000 Shares of HK\$0.10 each.

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2008 and adjusted to give effect to (i) the issue of the Bonds and (ii) other adjustments.

	Unaudited	
	As of 31 December 2008	
	Actual	As Adjusted
	(in RMB million)	
Short-term borrowings	361	361
Long-term borrowings ⁽¹⁾	2,114	2,114
Bonds to be issued ⁽²⁾	—	921
Shareholders' funds	3,159	3,159
Minority interests and loans	<u>1</u>	<u>1</u>
Total capitalisation	<u>5,635</u>	<u>6,556</u>

Other than as disclosed above, there has been no material change in the consolidated capitalisation or consolidated indebtedness of the Group since 31 December 2008.

Notes:

(1) Excluding Bonds to be issued.

(2) Amount in US\$ translated into RMB based on the Fed Noon Buying rate of US\$1.00: RMB6.82 as of 31 December, 2008.

DESCRIPTION OF THE GROUP

OVERVIEW

We are a leading manufacturer of wheel loaders and a major manufacturer of infrastructure machinery in the PRC. Our core activities include the design, manufacture and sale of wheel loaders, excavators, road rollers and fork lifts. The sales of these products represented approximately 86 per cent., 4 per cent., 2 per cent. and 3 per cent., respectively of our turnover for the year ended 31 December 2008. According to the China Construction Machinery Industry Yearbook 2008, we are the second-largest wheel loader manufacturer and the largest non-state owned wheel loader manufacturer in the PRC with approximately 18 per cent. share of the domestic market as measured by the number of wheel loaders sold in the PRC in 2008. We ranked No. 35 out of 50 of global construction machinery manufacturers in 2009 by the China Construction Machinery Association. We manufacture infrastructure machinery at four production plants: the Songjiang Plant, the Longyan Plant, the Gaoan Plant and the Zhenzhou Plant which are located in Shanghai, Fujian Province, Jiangxi Province and Henan Province, respectively. The Songjiang Plant serves as our headquarters and main manufacturing base and is strategically located in the Songjiang Industrial Zone, Shanghai, which provide easy access to major roads and railways connected to the national transportation systems.

We also manufacture axles and transmissions, which are critical components for wheel loaders. We believe our ability to produce such components allows us to better control costs and monitor product quality. In addition, we believe our ability to develop axles and transmissions leads to a high degree of vertical integration in our production process and enables us to control process technology and customise our products to meet our end-users' design and performance requirements. To complement this production advantage, we have also expanded our production to include other components, such as gears, hydraulic tanks and pipes after acquiring Refined (Shanghai) Machinery Co., Ltd., Herkules (Shanghai) Hydraulic System Co. Ltd and Jiangxi Monarch Gear Co., Ltd.

In addition, we manufacture harvesting machines through our subsidiary Henan Longgong Machinery Manufacturing Co., Ltd. We also manufacture excavators and fork lifts through our subsidiaries Longgong (Shanghai) Excavator Manufacturing Co., Ltd. and Monarch (Shanghai) Forklift Co., Ltd., respectively. A list of our principal subsidiaries as at 31 December 2008 is set out in the notes to the audited consolidated financial statements of the Company for the year ended 31 December 2008.

OUR COMPETITIVE STRENGTHS

We believe our principal competitive strengths include:

Prominent market position with strong brand recognition

As the second-largest wheel loader manufacturer and the largest non-state owned wheel loader manufacturer in the PRC, we enjoy strong domestic brand recognition. In September 2004, our "Longgong" brand received the "China Top Brand" award from the Chinese Top Brand Strategic Advancing Association and the National Quality Supervision and Test Department of the PRC. In 2007, we received the "China's Most Reputable Product (中國牌產品證書)" award from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. In 2009, we were named as a "Remarkable Enterprise with High Quality After-Sales Services" by the China Association For Quality Promotion. We have also received a number of certifications for our products, including the PRC Quality Product Standard (2000-2004) (2000-2004 年國家質量檢測合格產品) from the Quality Examination Association of China in recognition of the quality and reliability of our products as well as our after-sales services. We recently obtained CE (Conformite Européene) certification for our export products. The CE certification confirms that our export products comply with safety and sanitation regulations that the EU has set for products entering the EU market. The certification permits our "Lonking" brand to access the EU market and is one of the most recognised product markings in the world. We believe our strong brand recognition and product quality will enable us to further strengthen our market position, expand our market share for wheel loaders and develop new infrastructure machinery products.

Strong R&D capabilities

Our R&D team is comprised of more than 300 engineers and technical officers focused on the development of new products and the improvement of our axles and transmissions production. We believe our R&D capabilities enable us to expand our product portfolio and to customise our products to meet our customers' specific requirements.

Expenditures on R&D are recognised as expenses in the period in which they are incurred. For the three years ended 31 December 2008, we spent approximately RMB18.1 million, RMB16.4 million, and RMB16.4 million, respectively on research and development, representing approximately 0.49 per cent., 0.31 per cent. and 0.27 per cent. of our total turnover, respectively.

Vertical integration

We manufacture axles and transmissions, which are key components of wheel loaders, representing approximately 14 per cent. and 8 per cent. of our total cost of production for the year ended 31 December 2008, respectively. The in-house production of these components gives us a high degree of vertical integration in our production process and allows us to rely less on the external sourcing of key components, allows us better control of costs and quality and ensures the timely delivery of our products. Most importantly, our manufacturing capability of axles and transmissions allows us to develop and control the core design and production technology necessary to manufacture wheel loaders.

Extensive network of sales agents and after-sales service centers

Due to the large number of potential end-users and their different needs, it is difficult to effectively service end-users through a direct-sales system. Therefore, we have established a nationwide network of approximately 200 independent sales agents.

We outsource responsibility for after-sales service to selected sales agents who act as our designated local service agents. Our extensive geographical coverage, with 220 local service points across the PRC, enables us to reduce our response time and improve efficiency when responding to repair and maintenance requests.

Strategic location

Our operations are headquartered in the Songjiang Plant in Shanghai. This strategic location reduces our logistical costs, including raw material and product delivery costs. Moreover, the Songjiang Industrial Zone is situated near major transportation networks of roads and railways, facilitating the transport of raw materials, components and finished products and reducing our transportation costs. Our Longyan Plant is located in the centre of South China which is close to the growing South China market and benefits from the cost advantage with our in-house production base in Fujian.

Experienced management team

We believe our corporate culture distinguishes us from our state-owned competitors. Our senior management is forward-thinking and highly focused on developing our business to meet the challenges of the fast-changing infrastructure machinery industry. Our management has played a key role in building a results-driven corporate culture that encourages the lowering of costs, delivering consistent and high-quality products and services and market responsiveness. Our experienced management team has in-depth industry and professional knowledge as well as extensive managerial and operational experience. Certain members of our senior management team possess over ten years of industry experience, which we believe has enabled us to formulate and implement development strategies, and to seize opportunities for the development of new wheel loader products.

OUR STRATEGIES

We aim to become the leading PRC infrastructure machinery manufacturer by leveraging our position as a market leader in the manufacture of wheel loaders to enter the road roller and excavator markets. We intend to pursue the following strategies:

Distribution and marketing enhancement

We aim to broaden our end-user base and increase sales to existing end-users. We intend to continue to expand our sales and service network in the northwestern and northeastern regions of the PRC, which we believe present significant opportunities due to the anticipated growth in infrastructure investments as a result of certain recent government initiatives. Leveraging our production cost advantage relative to foreign competitors, we intend to explore opportunities in overseas markets. We have established an overseas sales and marketing team to organise overseas trade shows and interviews to facilitate the accumulation of market information. In addition, we believe we have successfully promoted our “Lonking” brand from the local “Longyan” brand to a leading national brand in the PRC. To further increase brand awareness nationwide, we plan to increase our advertising and marketing budgets.

Taking advantage of strong domestic PRC infrastructure machinery market demand and the PRC government’s economic plan to support industrial and agricultural sectors and RMB4 trillion stimulus program

Our growth is closely related to the fixed asset investments and economic developments of the PRC. 2006 was the first year of the “Eleventh Five-Year Development Plan for National Economic and Social Development (2006-2010)” and many infrastructure projects have commenced in the PRC since then. Domestic demand, consumption capacity, the level of industrial investment, the level of industrialisation, modernisation, volume of trade and internationalisation all increased over past years. In addition, in November 2008, the PRC government announced a RMB4 trillion stimulus program to bolster economic growth in the PRC. The PRC government has made substantial investments in high-speed railways, highways, harbours, energy projects and the reconstruction of earthquake-hit Sichuan, which has resulted in an increase of demand for construction machinery. These developments have provided a favourable business environment and provided us with potential for further growth in the PRC.

Widening the breadth of our product portfolio

Adhering to our management philosophy “to maximise our product mix”, we took initiatives in research and development of new products based on market responses and our customers’ changing needs. Since the inception of the business in 1993, we have invented more than 30 new models of wheel loaders. We also launched our China Longgong brand excavators in the second half of 2007 which quickly became one of our major products in 2008. As part of our initiatives in diversifying our product lines, we acquired substantially all of the interest in Henan Longgong, a company which is primarily engaged in manufacturing harvesting machines and wheel loaders, in 2007. We have also committed to further exploring new products and opportunities in acquiring business in other machinery equipment segments so as to strengthen our product lines.

Production upgrades

In response to ongoing consolidation in the PRC infrastructure machinery industry, we intend to upgrade our production capacity and scale to meet anticipated increases in demand and capture market share from smaller manufacturers. Our production upgrades will involve an expansion of our manufacturing base and production capacity for wheel loaders by expanding our existing production facilities and purchasing imported equipment. We believe such expansion will enable us to meet anticipated increase in the demand for our products, as well as to increase our economies of scale. In addition to expanding the scale of our wheel loader production capacity, we also intend to enhance our road roller production capacity by purchasing imported production equipment. We will also continue to focus on increasing our production capacity and R&D initiatives for axles and transmissions in order to maintain a high degree of vertical integration in our production process.

Building up a strong overseas distribution network

We aim to increase sales and broaden our customer base through better network coverage. We will further expand our nationwide distribution system and service network and we believe that our after-sales services provide us with a competitive edge in attracting and retaining customers. We will also explore opportunities in the overseas market. Leveraging our improved quality and excellent value to price ratio, we will develop customised products to meet the specific requirements and needs of overseas customers. We will adopt a proactive promotion strategy to raise our profile and brand awareness of the Lonking brand name in the overseas market and so far we have established and consolidated our sales networks in the Middle East, Russia, Australia and Africa. For the year ended 31 December 2008, we have achieved approximately RMB352 million of export sales, representing a 23 per cent. increase over the previous year. We will adopt a selective strategy in partnering with overseas distributors so as to ensure quality and stable supply.

Product diversification

To increase our market share in the infrastructure machinery industry and to attract new end-users, we successfully developed and launched forklifts and excavators in 2006 and 2007 by leveraging our prominent position in the manufacturing of wheel loaders. We also acquired substantially all of the interest in Henan Longgong Machinery Manufacturing Co., Ltd. in 2007 which has enabled us to start the manufacturing and sales of harvesting machines. We also plan to upgrade our R&D capabilities and devote more R&D resources to develop new products in the future. In addition, we intend to enhance our R&D capability by further improving the technical proficiency of our staff through continuous training and collaboration with renowned universities. In particular, we intend to intensify our efforts in research of bottleneck products, so as to achieve some breakthroughs.

Products

Our principal products are wheel loaders, excavators, road rollers and fork lifts that target mainly the PRC infrastructure and mining sectors. We believe our experience and expertise in producing and developing wheel loader products will allow us to continue to increase our market share in this segment and to develop other infrastructure machinery, such as road rollers, fork lifts and excavators.

Wheel loaders are used in a variety of infrastructure activities, including construction of roads, railways, tunnels, bridges, mining activities, water and electricity projects, steel and cement manufacturing and construction and real estate. We manufacture three principal series of wheel loaders, the ZL30, ZL40 and ZL50 series, with designed loading power ranging from three to five tons. Sales of wheel loaders accounted for approximately 86 per cent. of the Company's turnover for the year ended 31 December 2008 (compared to 93 per cent. the year before). Our ZL50 series continued to be the main revenue driver and achieved a turnover of approximately RMB4,473 million for the year ended 31 December 2008, (or an increase of approximately 7.2 per cent. when compared with the same period in 2007). Our ZL30 series is the second largest revenue contributor and has achieved a turnover of approximately RMB635 million, (or an decrease of approximately 5.09 per cent. when compared with the same period in 2007). We are designing, manufacturing and selling mini loaders with loading power below three tons, which achieved turnover of approximately RMB122 million for the year ended 31 December 2008, (or an increase of approximately 61 per cent. when compared with the same period in 2007).

We also manufacture road rollers, fork lifts, excavators and other construction machineries such as harvesting machines and land levelers. Our operating revenues from road rollers amounted to approximately RMB138 million for the year ended 31 December 2008, representing an increase of approximately RMB56 million (or approximately 69 per cent.) when compared with the same period in 2007. Fork lifts achieved approximately RMB156 million for the year ended 31 December 2008. Currently we offer approximately ten different models of fork lifts for factories, godowns, warehouses and ports. Our operating revenues from excavators amounted to approximately RMB223 million for the year ended 31 December 2008, representing a sharp increase of RMB210 million (or approximately 1609 per cent.) when compared with the same period in 2007. Sales from harvesting machines and land levelers amounted to approximately RMB78 million for the year ended 31 December 2008 (or

an increase of approximately 293 per cent. when compared with the same period in 2007). Revenue generated from components sales amounted to approximately RMB235 million for the year ended 31 December 2008, (or an increase of approximately 33 per cent. when compared with the same period in 2007).

Production Facilities

Our principal production facilities are located in Songjiang Industrial Zone in Shanghai, Longyan City in Fujian Province, Gaoan in Jiangxi Province and Zhenzhou in Henan Province. We produce our ZL30, ZL40 and ZL50 series wheel loaders and our axles and transmissions in the Songjiang Plant. Our Longyan Plant currently comprises the production facilities for our ZL50 series wheel loaders. We also produce wheel loaders as well as other machinery products in our Jiangxi Plant. Our Henan Plant is focused on manufacturing farm machines.

Our production capacity in 2008 amounted to 40,000 units of wheel loaders (compared to 24,000 units and 32,000 units in 2006 and 2007 respectively), 1,200 units of excavators (compared to zero units in 2006 and 600 units in 2006 and 2007 respectively) and 4,000 units of forklifts (compared to 400 units and 2,000 units in 2006 and 2007 respectively).

SALES AND MARKETING

Overview

We use a three-tier structure for our sales operations comprising sales headquarters, regional sales managers and sales agents.

Our sales headquarters has 210 staff and is responsible for the overall planning and oversight of sales operations and the performance of our regional sales managers and sales agents. Our 65 regional sales managers form the front line of our regional marketing operation, and manage the sales and marketing activities in their respective marketing regions designated by our sales headquarters.

Our sales network currently comprises 200 incentivised sales agents throughout the PRC. The sales agents are monitored by our regional sales managers and sales headquarters.

Our customers

Our sales agents are our direct customer base. For the three years ended 31 December 2008, our sales to the five largest customers accounted for approximately 23 per cent., 22 per cent. and 24 per cent. of our total turnover, respectively. Our sales to our largest customer, which amounted to RMB232 million, RMB329 million and RMB453 million, accounted for approximately 6 per cent., 6 per cent. and 7 per cent. of our total turnover, respectively during such period. We have maintained business relationships with our five largest customers generally for an average of five years.

Our ultimate end-users

Our products are marketed to approximately 22,000 ultimate end-users throughout the PRC.

Pricing policy

The prices of our products are not subject to official price guidelines under the PRC laws and regulations and are principally the same within each designated marketing region aside from variation in transportation costs. To promote our products, our sales headquarters has established a sales-incentive program in which certain sales agents are granted discounts reflect our market focus and strategy. In addition, to avoid competition among the sales agents in the same marketing region, our sales agents are prohibited from offering discounts to end-users on our designated minimum prices unless permitted by our sales headquarters.

Marketing activities

We place great emphasis on promoting end-users' awareness of our "Lonking" brand and our products. Our regional sales managers coordinate with our sales agents in the formulation and implementation of our marketing strategies. We keep abreast of market trends and end-users' preferences and collect end-users' feedback and market information. Furthermore, with a view to increasing public awareness of our brand name, we have strategically pursued advertising campaigns through different media including newspapers, television, magazines and outdoor advertisements and organised seminars, trade shows and exhibitions in major cities in the PRC in order to identify new groups of customers and promote our brand name and products.

RAW MATERIALS AND PRODUCTION EQUIPMENT

Sourcing and inventory control

Our major raw materials, parts and components are diesel engines, tyres and steel. For the year ended 31 December 2008, costs of diesel engines, tyres and steel accounted for approximately 19 per cent., 11 per cent. and 24 per cent., respectively, of our total cost of production. Substantially all raw materials, parts and components are sourced from PRC suppliers.

We maintain multiple suppliers for our major raw materials, parts and components in an effort to avoid relying too heavily on any single supplier. However, our suppliers for diesel engines, tyres and steel are each concentrated in a single supplier.

Suppliers

For each of the three years ended 31 December 2008, our purchases from the five largest suppliers accounted for approximately 38 per cent., 34 per cent. and 31 per cent., respectively, of our total purchases. During the same periods, Weichai Power, being the largest supplier, accounted for approximately 18 per cent., 16 per cent. and 10 per cent., respectively, of our total purchases. None of our Directors, chief executive of the Company or its subsidiaries or any of their respective associates or any Shareholder whom, to the knowledge of our Directors, owns more than 5 per cent. of the issued Shares, save that as at the date of this Offering Circular, Mr Li was a non-executive director of Weichai Power since 18 December 2002, and was interested in approximately 4% of the issued shares of Weichai Power. We have established stable business relationships, generally for an average of seven years, with our major suppliers. Although we have not entered into long-term supply contracts with our major suppliers, we have not experienced any significant difficulties in sourcing raw materials, parts and components and do not foresee in the future any major problems in sourcing raw materials, parts and components required for production. On 10 December 2008, pursuant to a share subscription agreement between a wholly-owned subsidiary of the Company and Aeolus Tyre Co. Ltd. ("**Aeolus**"), a PRC listed company and one of the Group's five largest suppliers, the Group completed a subscription for shares in Aeolus, representing approximately 2.27% of the enlarged issue shares of Aeolus. We expect that acquiring shares in Aeolus will, in the long term, enable us to purchase our supplies from Aeolus at optimal prices.

Intellectual Property Rights

Since 2008, we have registered and/or applied for registration of our "Lonking" trademark (to replace the previous "Longgong" trademark) in the PRC, Hong Kong and the United Kingdom. We have also registered two trademarks in respect of the exterior design of our wheel loaders.

QUALITY CONTROL

We have implemented stringent quality assurance measures relating to (i) raw materials, parts and components, (ii) production and (iii) finished products:

Quality control of raw materials, parts and components

Assessments of suppliers are conducted annually, and those suppliers whose performance or products fall below our standards are removed from or demoted in our supplier list. Materials purchased by the sourcing division are inspected by our quality inspection staff. Should the inspection staff detect

sub-standard materials and parts, we will return the same to the suppliers and claim compensation in accordance with the terms stipulated in the supply agreements within the warranty period which generally lasts for six months.

Quality control during the production process

Throughout the production process, manual inspection and reporting are conducted at systematic intervals to ensure a stable and controlled production environment. Where there are disruptions or irregularities in the production line, the factory staff will be notified and adjustments will be made in accordance with production schedules. Visual inspection and performance tests are carried out at each stage of the assembly procedure. Quality control in our production process is conducted in strict compliance with in-house standards, except where the relevant product requirements are specific to the particular product and which require additional quality inspection procedures as instructed by our engineers. Quality control also extends to logistics management, product delivery and environmental protection.

Quality control of finished products

Upon completion of the production process, function tests and inspection are carried out to ensure that the quality of the finished products meet our in-house standards before delivery to our sales agents. In recognition of our efforts at quality control, we have obtained the ISO9001: 2000 certification. In addition, we were awarded “Certification of PRC Quality Product (2000-2004)” (2000-2004 年國家質量檢測合格產品) in 2004, which evidences that our products are in compliance with the PRC national standards.

SAFETY AND ENVIRONMENTAL PROTECTION

Workplace safety

We provide safety protection to the employees working in the factories and production sites. We undertake comprehensive fire precaution measures which include the installation of fire detectors, automatic fire extinguisher system in the office building and fire fighting equipment inside and outside of the work area, as well as precautionary measures for explosions, electrical hazards, accidents involving machinery and earthquakes. We also provide safety related education to our employees to increase their awareness of work safety. Employees are obliged to carefully dispose of dangerous items and wastage. Warning signs against smoking are placed throughout the work area and qualified staff are also invited to assist in the classification and storage of dangerous items on a regular basis.

Environmental protection

We are subject to the environmental protection laws and regulations promulgated by the PRC government. We pay particular attention to the environmental protection policy of the PRC government and our production process is in conformity with the currently applicable national and municipal environmental protection regulations. Our production facilities discharge pollutants such as waste water, smoke emissions, toxic wastes and metal waste products during our production process. We have implemented a set of waste treatment procedures in our production facilities during the production process. We also engage technicians for assistance in the treatment of wastes. Waste produced by us is treated in compliance with applicable environmental standards in our production facilities.

Insurance

We maintain insurance policies which cover losses arising from fire, explosion and other natural calamities in respect of our production facilities and equipment. We have not taken out any insurance policies to cover product liabilities and no material product liability claim has ever been made against us.

Litigation

There are no litigation or arbitration proceedings in progress or threatened against us which could have a material adverse effect on our financial condition or results of operations.

DIRECTORS OF THE COMPANY

The members of the board of directors of the Company as at the date of this Offering Circular are as follows:

Executive Directors:

Mr Li San Yim (Chairman)
Mr Qiu Debo
Mr Luo Jianru
Dr Mou Yanqun
Mr Chen Chao
Mr Lin Zhong Ming

Non-executive Directors:

Ms Ngai Ngan Ying
Ms Fang Deqin

Independent Non-executive Directors:

Mr Pan Longqing
Dr Qian Shizheng
Mr Han Xuesong

The biographies of the Executive Directors, Non-executive Directors and the Independent Non-executive Directors at the date of the Offering Circular are as follows:

EXECUTIVE DIRECTORS

Mr Li San Yim, aged 58, is the Chairman of the Board and founder of the Group. He has extensive experience in corporate management and is responsible for formulating the Group's management philosophy and business strategies. Mr Li was appointed as a, executive committee member of the All-China Federation of Industry and Commerce (中華全國工商業聯合會執行委員) and vice-chairman of the Fujian Province Federation of Industry and Commerce (福建省工商業聯合會副會長). Mr Li has also been accredited as one of the "Outstanding Enterprise Founders under Chinese Socialism" (優秀中國特色社會主義事業建設者) and a National Labor Model (全國勞動模範). Mr Li holds an EMBA at Fudan University in Shanghai. He is also a non-executive director of Weichai Power Co., Ltd. (stock code: 2338). Mr Li is the husband of Ms Ngai Ngan Ying, being a non-executive director.

Mr Qiu Debo, aged 46, is the Chief Executive Officer and President of the Group. Mr Qiu joined the Group in August 1997. Mr Qiu graduated from Fujian Normal University (福建師範大學) and holds an EMBA at Shanghai Jiao Tong University (上海交通大學). Mr Qiu has ten years of experience in corporate management and sales and marketing. He has served as a general sales manager, deputy general manager and general manager of the Group. He also acted as general manager of Fujian Longyan Construction Machinery (Group) Limited. Prior to joining the Group, Mr Qiu also worked for Fujian Longgang Company Limited (福建龍鋼有限責任公司) as a department head. Mr Qiu was appointed as a qualified senior economist by the Fujian Provincial Government. He has also received the "Outstanding Youth Entrepreneur of Fujian Province Award" (福建省優秀青年企業家).

Mr Luo Jianru, aged 62, is a Vice-President of the Group. Mr Luo joined the Group in September 1998. Mr Luo received a "second class" Jiangxi Province Science and Technology Award (江西省科學技術進步二等獎) in 1986 and a "third class" award from China Aviation Industry Company (中國航空工業總公司三等獎) in 1997 in recognition of his contribution to the development of science and technology. He is the deputy chairman of the executive committee of the Association of Industry and Commerce of Songjiang District, Shanghai (上海市松江區工商業聯合會) and a member of the People's Political Consultative Conference of Songjiang District, Shanghai (上海市松江區政協委員). Mr Luo is a graduate of Hefei University of Technology (合肥工業大學) and has 24 years of experience in corporate management and the infrastructure machinery industry. Mr Luo has held various senior positions including the deputy general manager of Fujian Longyan Construction Machinery (Group) Limited, general manager of Longgong (Shanghai) Axle & Transmission Co., Limited and deputy general manager of the Group.

Dr Mou Yan Qun, aged 54, joined the Company in December 2005. He is currently the Vice-President of the Company. Dr Mou holds a doctorate degree in business administration and a chief financial officer qualification certificate endorsed by the Shanghai City Government. Dr Mou has over 30 years of experience in corporate financial management and auditing. Dr Mou is an associate member of the Institute of Financial Accountants (IFA). Prior to joining the Company, Dr Mou worked in a leading State-owned pharmaceutical group in Shanghai where he served as the chief financial officer and head of the listing preparation office of a sub-unit and a member of the disciplinary inspection committee. Before that, he has also held the positions of chief financial officer in a State-owned enterprise and head of the Shanxi sub-branch of a State-owned bank, which was awarded the “advanced entity of integrity” under his leadership.

Mr Chen Chao, aged 34, is a vice-president of the Group. Mr Chen joined the Group in July 1997, in charge of supply chain management. Mr Chen holds an EMBA at Fudan University in Shanghai. Mr Chen has ten years of experience in supplies management, and has previously served as a deputy chief of the product development department at Shanghai Longgong Machinery Co., Ltd, manager of the research and development center and deputy general manager of Shanghai Longgong Machinery Co., Ltd. Mr Chen was a 5th Annual Member of the Standing Council by the Machinery Design Society of the Chinese Mechanical Engineering Society. In addition, he has also been appointed as a qualified technology and quality expert (技術質量專家) by the Technology and Quality Standing Committee (技術質量委員會) of Mechanical Engineering Technology and Quality Message Site (全國工程機械行業技術質量信息網).

Mr Lin Zhong Ming, aged 46, joined the Company in March 2001. He is the General Manager of Longgong (Fujian) Machinery Company Limited and Fujian Longyan Longgong Machinery components company Limited, a both of which are wholly-owned subsidiaries of the Company. Mr Lin has a bachelor’s degree in history from Shandong University. He has seven years of experience in corporate management.

NON-EXECUTIVE DIRECTORS

Ms Ngai Ngan Ying, aged 53, is the Vice-Chairman of the Group and was appointed as a non-executive director of the Group in May 2004. Ms Ngai is also one of the founders of the Group. Ms Ngai is a standing committee member of the People’s Political Consultative Conference of Xinluo District, Fujian Province (龍岩市新羅區政協常務委員). Ms Ngai is the wife of Mr Li San Yim, being a Director.

Ms Fang Deqin, aged 46, was appointed as a non-executive Director on 16 March 2007 and is the deputy director of the strategic and governance committee of the Board. She joined the Company in November 2006. Ms Fang received a Bachelor Degree in Economics from Xiamen University in 1984 and has been admitted to the EMBA program of Xiamen University since September 2005. She was the financial controller and senior accountant of Xiamen Aviation Industry Company Limited and the deputy general manager of strategic planning division of Xiamen Temo Corporation. She has 17 years of experience in corporate finance, investment, mergers and acquisitions and corporate governance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Pan Longqing, aged 60, has attained the title as an senior economist. Throughout the past 30 years, Mr Pan had held various key positions in the PRC governmental authorities including the deputy county mayor of Nanhui County of Shanghai City, the deputy party secretary, county mayor and the secretary of Jinshan County of Shanghai City, the deputy chief of Shanghai Municipal Agriculture Commission and Shanghai Municipal Economic System Reform Committee, the deputy secretary, the regional head and the secretary of Songjiang District of Shanghai City. Mr Pan had also worked as the departmental party secretary and the party secretary of Shanghai Foreign Economics & Trade Commission, the chief of Shanghai Foreign Economics & Trade Commission, and the chief of Shanghai Foreign Investment Commission currently, he is the party secretary and the general manager of Shanghai International Group Corporation Ltd. Mr Pan Longqing also serves as a director of Pudong Development Bank (stock code: 600000), which is listed on Shanghai Stock Exchange, a director of Shanghai Rural Commercial Bank, and the chairman and the party secretary of Shanghai International Trust Company.

Dr Qian Shizheng, aged 57, was appointed as an independent non-executive director in February 2005. Dr Qian is the chief financial officer of Shanghai Industrial Investment (Holdings) Limited. He holds a doctorate degree in management from Fudan University and has previously worked for Fudan University as an Associate Professor of the Department of Accountancy. Dr Qian is currently an executive director of Shanghai Industrial Holdings Limited (stock code: 363). He has over 23 years of experience in the finance and accounting fields.

Mr Han Xuesong, aged 72, was appointed as an independent non-executive Director in May 2008. He is a professor of engineering with a university degree. He is currently the President of China Construction Machinery Industry United Society (中國工程機械工業協會). He has served in the National Mechanical Department (國家機械部) and China National Construction Machinery Corporation (中國工程機械成套公司), and has been the Vice President, General Secretary and President of the China Construction Machinery Industry United Society Since May 1997. Mr Han is also an independent director of Xuzhou Construction Machinery Science & Technology Company Limited (徐州工程機械科技股份有限公司) and Dingsheng Tiangong Construction Machinery Company Limited (鼎盛天工工程機械股份有限公司), which are listed on Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively.

SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 10 August 2009, so far as are known to the Directors, the following parties (other than director or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong, the "SFO") as being directly or indirectly interested or deemed to be interested in 5 per cent. or more of the issued share capital of the Company:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held</u>		<u>Shareholding percentage</u>
		<u>Long position</u>	<u>Short position</u>	
China Longgong Group Holdings Limited ⁽¹⁾	Beneficial owner	656,029,380	–	30.7%
Templeton Asset Management Ltd.	Investment manager	150,181,000	–	7.02%
Deutsche Bank Aktiengesellschaft	Beneficial owner	4,329,120	1,029,000	6.97%
	Person having a security interest in shares	144,881,823	15,852,159	0.79%
				(Long position)
				(Short position)
Government of Singapore Investment Corporation Pte. Ltd.	Investment manager	62,867,297	–	5.88%

Notes:

- (1) China Longgong Group Holdings Limited, a company incorporated in the British Virgin Islands, is owned as to 55% by Li San Yim and as to 45% by Ngai Ngan Ying, the spouse of Li San Yim.

Save as disclosed above, the Company had not been notified of any other person (other than the directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as at 10 August 2009 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors' and Chief Executives' Interests and Short Positions in the Securities of the Company and its Associated Corporations

As at 10 August 2009, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Hong Kong Stock Exchange were as follows:

(I) Interests and short positions in the securities of the Company

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held</u>		<u>Shareholding percentage</u>
		<u>Long position</u>	<u>Short position</u>	
Li San Yim ⁽¹⁾	Interest of controlled corporation ⁽²⁾	656,029,380	–	30.7%
	Beneficial owner	522,665,380	–	24.4%
Ngai Ngan Ying ⁽¹⁾	Interest of controlled corporation ⁽²⁾	656,029,380	–	30.7%
	Beneficial owner	522,665,380	–	24.4%

Notes:

- (1) Li San Yim and Ngai Ngan Ying are husband and wife to each other and are deemed to be interested in each other's interest.
- (2) These shares were held through China Longgong Group Holdings Limited, a company that is owned by Li San Yim and Ngai Ngan Ying as to 55% and 45% respectively.

(II) Interest in the securities of the associated corporations of the Company

<u>Name of director</u>	<u>Name of its associated corporations</u>	<u>Amount of registered capital</u>	<u>Approximate percentage of attributable interest in the associated corporation</u>
Li San Yim ⁽¹⁾	Corporate ⁽²⁾	RMB480,000	0.11%
Ngai Ngan Ying ⁽¹⁾	Corporate ⁽²⁾	RMB480,000	0.11%

Notes:

- (1) Li San Yim and Ngai Ngan Ying are husband and wife to each other and are deemed to be interested in each other's interest.
- (2) The 0.11% interest of Longgong (Shanghai) Machinery Company Limited is held by Shanghai Longgong Machinery Limited, which is owned by Li San Yim and Ngai Ngan Ying as to 39.5% and 60.5% respectively.

Save as disclosed above, as at 10 August 2009, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SFO.

DESCRIPTION OF THE SHARES

The following is a description of the Shares, including summaries of material relevant provisions of the Company's Memorandum of Association and the Articles of Association ("Articles") and the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). These summaries do not purport to be complete and are qualified in their entirety by reference to the full Memorandum of Association and the Articles. The Shares are listed on the main board of the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of the Shares issuable upon conversion of the Bonds.

As of 30 June 2009, the authorised share capital of the Company consisted of HK\$500,000,000 divided into 5,000,000,000 ordinary shares (the "Shares") of par value HK\$0.10 each. As of 30 June 2009, there was in issue HK\$214,005,000 of the share capital of the Company divided into 2,140,050,000 Shares.

GENERAL

The Company was incorporated in the Cayman Islands with limited liability on 11 May 2004 under the Companies Law. The Company's authorised share capital is HK\$500,000,000. As at the date of this Offering Circular, 2,140,050,000 Shares are issued and outstanding.

DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of any ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The board may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder

or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of the two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

WINDING UP

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on our Shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on our Shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the Court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members *in specie* or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

As soon as the affairs of the Company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the Company has been disposed of, and thereupon call a general meeting of the Company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the Articles and published in the Gazette in the Cayman Islands.

VOTING RIGHTS

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative

shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Hong Kong Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Hong Kong Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5 per cent. (5 per cent.) or more of the total voting rights at such meeting.

If a clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) in respect of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

MODIFICATION OF RIGHTS

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum.

Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

DISCLOSURE

The Hong Kong Stock Exchange imposes a requirement on us to keep the Hong Kong Stock Exchange, our shareholders and other holders of our listed securities informed as soon as reasonably practicable of any information relating to us and our subsidiaries, including information on any major new developments which are not public knowledge, which (i) is necessary to enable them and the public to appraise our position and the position of our subsidiaries, (ii) is necessary to avoid the establishment of a false market in our securities; and (iii) might be reasonably expected materially to affect market activity in and the price of our securities.

There are also requirements under the Listing Rules for us to obtain prior shareholders' approval and/or to disclose to shareholders details of certain acquisitions or disposals of assets and other transactions.

EXCHANGE RATES

The Hong Kong dollar is freely convertible into other currencies (including the US dollar). Since 17 October 1983, the Hong Kong dollar has been linked to the US dollar at the rate of US\$1.00 to HK\$7.80. The central element in the arrangements which give effect to the link is that, by agreement between the Hong Kong government and three of the Hong Kong banknote issuing banks (namely, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Bank of China (Hong Kong) Limited), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for the banknotes issued, are issued and redeemed only against payment in US dollars, at the fixed exchange rate of US\$1.00 to HK\$7.80. When such banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent amount in US dollars at the fixed rate of exchange.

The market exchange rate of the Hong Kong dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. Exchange rates between the Hong Kong dollar and other currencies are influenced by the linked rate between the US dollar and the Hong Kong dollar.

The following table sets forth, for each of the years indicated, the low, average, high and period-end noon buying rates in New York City for cable transfers, in Hong Kong dollars per US dollar, derived from the Federal Reserve Bank of New York:

<u>Year</u>	<u>Noon Buying Rate</u>			<u>Period End</u>
	<u>Low</u>	<u>Average</u>	<u>High</u>	
(HK\$ per US\$)				
2007				
First quarter	7.7797	7.8081	7.8177	7.8137
Second quarter	7.8044	7.8161	7.8236	7.8184
Third quarter	7.7591	7.8065	7.8289	7.7689
Fourth quarter	7.7497	7.7757	7.8073	7.7984
2008				
First Quarter	7.7642	7.7940	7.8107	7.7819
Second Quarter	7.7863	7.7989	7.8159	7.7970
Third Quarter	7.7582	7.7977	7.8142	7.7659
Fourth Quarter	7.7497	7.7535	7.7736	7.7499
2009				
First Quarter	7.7497	7.7542	7.7618	7.7500
Second Quarter	7.7495	7.7505	7.7526	7.7500

Source: Federal Reserve

DIVIDENDS

Subject to the Companies Law and the constitutive documents of the Company, the Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the Board of Directors of the Company. No dividend shall be payable except out of profits of the Company and no dividends shall carry interest.

The table below sets out certain statistics on ordinary dividends paid on Shares in respect of the years indicated:

<u>Year ended 31 December</u>	<u>Interim Ordinary Dividend per Share</u>	<u>Final Ordinary Dividend per Share</u>	<u>Interim Ordinary Dividend</u>	<u>Final Ordinary Dividend</u>
			(million)	
2007	HK\$12 cents	HK\$12 cents	HK\$126	HK\$116
2008	HK\$13 cents	HK\$5 cents	HK\$124	HK\$54

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS TAXATION

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Bonds and Shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

UNDER EXISTING CAYMAN ISLANDS LAWS

Payments of interest and principal on the Bonds and dividends and capital in respect of the Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Bonds or Shares, as the case may be, nor will gains derived from the disposal of the Bonds or Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Bonds and the bond certificates. An instrument of transfer in respect of a Bond or a bond certificate is subject to nominal stamp duty if executed in or brought into the Cayman Islands.

No stamp duty is payable in respect of the issue of the Shares or on an instrument of transfer in respect of a Share provided it is executed and remains outside the Cayman Islands.

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 March 2005.

HONG KONG TAXATION

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including Early Redemption Amounts) in respect of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Cap. 112, the Laws of Hong Kong) (the Inland Revenue Ordinance) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, conversion or redemption of the Bonds where such sale, disposal, conversion or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax at prevailing tax rate where such interest has a Hong Kong source, and is received by or accrues to:

- (a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (b) a corporation carrying on a trade, profession or business in Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

STAMP DUTY

No Hong Kong stamp duty will be chargeable upon the issue, transfer or conversion of a Bond.

No Hong Kong stamp duty will be chargeable upon the issue of the Shares. Hong Kong stamp duty is however payable on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2 per cent. is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

The foregoing summary is of a general nature only and is based on Hong Kong law as of the date of this Offering Circular and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The foregoing summary does not purport to be a comprehensive description of all of the Hong Kong tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the Hong Kong tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers of Bonds should consult with their own professional tax advisors as to the particular consequences of holding the Bonds which may affect them.

EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

The Council of the European Union has adopted a new directive regarding the taxation of savings income. Member States will be required from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

SUBSCRIPTION AND SALE

Merrill Lynch Far East Limited (the “**Lead Manager**”) has, pursuant to a subscription agreement dated 6 August 2009 (the “**Subscription Agreement**”), agreed with the Company, subject to the satisfaction of certain conditions, to subscribe the Bonds at 100 per cent. of their principal amount. The Company has agreed to pay to the Lead Manager certain commissions in connection with its subscription for the Bonds. The Subscription Agreement entitles the Lead Manager to terminate it in certain circumstances prior to payment of the net proceeds of the issue of the Bonds being made to the Company.

China Longgong, Mr Li and Mrs Li (collectively, the “**Locked up Parties**”) have agreed with the Lead Manager that, for a period commencing from 6 August 2009 to 90 days after the Closing Date (the “**Restricted Period**”), without the prior written consent of the Lead Manager, each of them will not (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares that it holds in the Company as at 6 August 2009 whether directly (or through nominees) or indirectly through companies controlled by it (save for China Longgong in the case of Mr Li and Mrs Li) or their subsidiaries (or through their nominees) or that it is deemed to be beneficially interested (in the case of Mr Li and Mrs Li) (the “**Lock-up Shares**”) or securities of the same class as the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Lock-up Shares or securities of the same class as Lock-up Shares or other instruments representing interests in Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a) or (b) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing.

The Lead Manager or its affiliates may purchase the Bonds for its or their own account and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Company’s securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions (including synthetic short positions for investors of the Bonds). Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). The Lead Manager and certain of its subsidiaries or affiliates have performed certain investment banking and advisory services for the Company and/or its subsidiaries from time to time for which they have received customary fees and expenses. In addition to the transactions noted above, the Lead Manager may, from time to time, engage in other transactions with and perform services for the Company and/or its subsidiaries and affiliates in the ordinary course of business. In addition the Lead Manager and certain of its subsidiaries and affiliates may hold Shares as beneficial owners, on behalf of clients or in the capacity of investment advisors.

- 1 General:** Neither the Company nor the Lead Manager has made any representation that any action has been or will be taken in any jurisdiction by the Lead Manager or the Company that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in preliminary proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Lead Manager will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular (in preliminary proof or final form) or any such other material, in all cases at its own expense. The Company will have no responsibility for, and the Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. The Lead Manager is not

authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in this Offering Circular (in final form) or any amendment or supplement to it.

2 United States: The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Lead Manager has represented and warranted that it has not offered or sold, and agreed that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S.

3 Public Offer Selling Restriction under the Prospectus Directive: In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Lead Manager has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of the Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (ii) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (iii) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in aggregate by the Lead Manager; or
- (iv) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

4 United Kingdom: The Lead Manager has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

5 Hong Kong: The Lead Manager has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

6 Singapore: The Lead Manager has acknowledged that the Offering Circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notes:

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor.

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such securities of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other asset, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

7 Japan: The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). Accordingly, the Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

8 The People’s Republic of China: The Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws and regulations of the PRC.

GENERAL INFORMATION

1. CLEARING SYSTEMS

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 044385619. The International Securities Identification Number for the Bonds is XS0443856199.

2. LISTING OF SHARES

Conditional approval has been received from the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds.

3. LISTING OF BONDS

Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot of US\$200,000 for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for definitive certificates, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

4. AUTHORISATIONS

The Company has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Company passed on 7 August 2009.

5. NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the financial or trading position of the Company or the Group since 31 December 2008.

6. LITIGATION

Neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have a material adverse effect on the financial or business condition or prospects or results of operations of the Company or the Group as a whole nor is the Company aware that any such proceedings are pending or threatened.

7. AVAILABLE DOCUMENTS

Copies of the latest annual report and consolidated accounts of the Company and the latest unaudited interim consolidated accounts of the Company may be obtained free of charge, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified office of the Company at Unit 3413, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours, so long as any Bonds are outstanding. The Company publishes unaudited consolidated interim financial statements every year for the six months ended 30 June.

8. INDEMNIFICATION OF THE TRUSTEE

The Trustee is entitled under the Trust Deed to rely on certificates issued by the Directors as to any fact or matter upon which the Trustee may, in the exercise of any of its functions, require to be satisfied or to have information. The Trustee will not be responsible for any loss that may be occasioned by acting on any such certificate.

9. AUDITORS

The consolidated financial statements of the Company as at and for the three years ended 31 December 2006, 2007 and 2008 have been audited by Deloitte Touche Tohmatsu, certified public accountants, as stated in their reports appearing therein.

COMPANY

Lonking Holdings Limited

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REGISTRAR

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New York 10286
United States of America

PRINCIPAL PAYING, CONVERSION AND TRANSFER AGENT

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US\$135,000,000

LONKING 龙工

Lonking Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Zero Coupon Convertible Bonds Due 2014

OFFERING CIRCULAR

BofA Merrill Lynch

21 August 2009
