

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, Chaoyang Auxillary, the Sponsor, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

CONSENT OF CSRC

On 23 March 2006, CSRC gave its approval for the offer of the H Shares and the listing of the H Shares on GEM. In granting such approval, CSRC accepts no responsibility for the financial soundness of the Company nor for the accuracy of any of the statements made or opinions expressed in this prospectus.

APPLICATION FOR LISTING ON GEM

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Share Offer including the H Shares which may be sold pursuant to the exercise of the Over-allotment Option.

No part of the Share or loan capital of the Company is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing of or permission to deal in such capital on any stock exchanges other than GEM.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Global Coordinator and the Company by the Price Determination Date. The Price Determination Date is expected to be on 16 September 2006 or such other date may be agreed by both parties, but in any event, not later than 21 September 2006. **If, for whatever reason, the Global Coordinator and the Company are not able to agree on the Offer Price, the Share Offer will not proceed and will lapse.**

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. The Share Offer comprises the Public Offer of initially 13,200,000 H Shares and the Placing of initially 118,800,000 H Shares (comprising 106,800,000 new H Shares and 12,000,000 Sale H Shares) subject, in each case, to re-allocation on the basis described in the section headed “Structure and conditions of the Share Offer” in this prospectus. The number of the Offer Shares is subject to the Over-allotment Option.

The Listing is sponsored by the Sponsor and the Share Offer is managed by the Global Coordinator. Subject to the terms of the Underwriting Agreement, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are fully underwritten by the Placing Underwriters. Particulars of the Underwriters and the underwriting arrangements are set forth in the section headed “Underwriting arrangements for the Share Offer” in this prospectus.

OFFER SHARES ARE OFFERED IN CERTAIN JURISDICTIONS ONLY

Saved as mentioned below, no action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and the Application Forms in any jurisdiction other than Hong Kong. The distribution of this prospectus and the Application Forms and the offering of the Offer Shares in certain jurisdictions may be restricted by law. This prospectus is not an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

Hong Kong

This prospectus has been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may be issued, circulated or distributed in Hong Kong, and the Public Offer Shares may be offered to members of the public in Hong Kong for subscription. In addition, advertisements may be made offering or calling attention to an offer or intended offer of the Public Offer Shares to members of the public in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for any Offer Shares be made (i) to persons in Singapore other than under circumstances in which such invitation, offer or sale does not constitute an invitation, offer or sale of the Offer Shares to the public in Singapore or (ii) to the public or any member of the public in Singapore other than pursuant to, and in accordance with the conditions of, an exemption invoked under Division 1 of Part XIII of the Securities and Futures Act and to persons to whom the Offer Shares may be offered or sold under such exemption. Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares to the public in Singapore.

United States

The Offer Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended or under any securities regulatory authority of any state of the US and may not be offered, sold, pledged or transferred within the US, or to, or for the account or benefit of, US persons.

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Share Offer or the accuracy or adequacy of this prospectus or any other document in relation to the Share Offer. Any representation to the contrary is a criminal offence in the US.

United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom. The Offer Shares may not be offered or sold to any person in the United Kingdom, other than to qualified investors as defined in section 86(7) Financial Services and Markets Act 2000 (“FSMA”), being (i) persons falling within Article 2.1(e)(i), (ii) or (iii) of Directive 2003/71/EC (the “Prospectus Directive”), which includes legal entities which are regulated by the Financial Services Authority (the “FSA”) or entities which are not so regulated whose corporate purpose is solely to invest in securities and companies which are not small or medium sized enterprises for the purposes of Articles 2.1(f) of the Prospectus Directive, (ii) investors registered on the register maintained by the FSA under section 87R FSMA and (iii) an investor authorised by an European Economic Area State other than the United Kingdom to be considered as a qualified investor for the purposes of the Prospectus Directive or otherwise in circumstances which would not give rise to a breach of section 85 FSMA. No application is being made for the Offer Shares to be admitted to trading on a regulated market in the United Kingdom.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

In addition, this prospectus is distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (b) high net worth entitles, and other persons to whom it may otherwise lawfully be communicated, falling within Articles 49(2) of the Order (all such persons together being referred to as “relevant persons”). The Offer Shares are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Offer Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents. This prospectus should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

United Arab Emirates

The Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the United Arab Emirates, except (i) in compliance with all applicable laws and regulations of the United Arab Emirates and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the United Arab Emirates.

Japan

This prospectus has not been and will not be registered under the Securities and Exchange Law of Japan. None of the Offer Shares may be offered or sold, 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 the Securities and Exchange Law of Japan and in compliance with any other applicable requirement of Japanese law. As used in this paragraph, “resident of Japan” means any person residing in Japan, any corporation or other entity organised under the laws of Japan.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold, directly or indirectly or offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Taiwan

This prospectus has not been and will not be registered as a prospectus with the Securities and Futures Commission of Taiwan under the Securities and Exchange Law of Taiwan and the Company has not been and will not be registered under the Company Law of Taiwan and related laws and regulations of Taiwan. Accordingly, none of the Offer Shares may be offered for subscription, purchase or sold, directly or indirectly, to the public in Taiwan.

Each person subscribing or purchasing the Offer Shares will be required to confirm, or be deemed by his or her or its subscription/purchase of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(1) of the GEM Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25% of its issued Share capital in the hands of the public. Upon Listing, and assuming that the Over-allotment Option is not exercised, approximately 36.0% of the issued Share capital of the Company will be in the hands of the public.

In compliance with Rules 25.08 and 25.09 of the GEM Listing Rules, the Company must ensure that all H Shares are held by the public (except as otherwise permitted by the Stock Exchange), the H Shares must normally constitute not less than 10% of its total existing issued Share capital, and the aggregate amount of the H Shares which are held by the public must constitute not less than 25% of the total issued Share capital of the Company.

STRUCTURE OF THE SHARE OFFER

Particulars of the structure of the Share Offer, including the conditions to which the Share Offer is subject, are set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set forth in the section headed “How to apply for the Public Offer Shares” in this prospectus and in the Application Forms.

HONG KONG STAMP DUTY

Dealings in the H Shares registered in the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of purchasing the Offer Shares or holding, disposing of or dealing in the Offer Shares, you should consult an expert.

The Company, Chaoyang Auxillary, the Global Coordinator, the Sponsor, the Underwriters, any of their respective directors or other parties involved in the Share Offer do not accept responsibility for any tax effects on, or liability of, any person resulting from subscribing for or purchasing or holding or disposing of or dealing in the Offer Shares.

HONG KONG H SHARE REGISTER

The register of members of the Domestic Shares of the Company will be maintained at the legal address of the Company in the PRC and the register of members of the H Shares of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of H Shares for the purposes of trading on GEM must be lodged for registration with and registered by the H Share registrar of the Company in Hong Kong and may not be lodged in the PRC.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

The Company has instructed Computershare Hong Kong Investor Services Limited, its Hong Kong H Share registrar, and Computershare Hong Kong Investor Services Limited has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to the share registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with the Company and each other Shareholder to observe and comply with the Company Law, the Special Regulations and the Articles of Association;
- (ii) agrees with the Company, each other Shareholder, Director, Supervisor and officer of the Company to refer all disputes and claims arising from the Articles of Association or any rights and obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;
- (iii) agrees with the Company and each other Shareholder that H Shares in the registered capital of the Company are freely transferable by the registered holder(s) thereof; and
- (iv) authorises the Company to enter into a contract on such holder's behalf with each Director, Supervisor and officer of the Company, whereby such Directors, Supervisor and officers of the Company undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on GEM and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the H Shares on GEM or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements, as such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All necessary arrangements have been made for the H Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares are expected to commence on Monday, 25 September 2006.

The H Shares will be traded in board lots of 1,000 each.

The GEM stock code for the H Shares is 8245.

The Company will not issue any temporary documents of title.

Dealings in the H Shares on GEM will be effected by participants of the Stock Exchange whose bid and offer quotations will be made available on GEM website and the Stock Exchange's teletext page information system.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Only certificates for H Shares registered on the H Share share register will be valid for settlement in respect of transactions effected on GEM.

If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which H Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

OVER-ALLOTMENT AND STABILISATION

In connection with the Share Offer, DBS Asia or any person acting for it may over-allocate or effect transactions with a view to supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on DBS Asia or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

In connection with the Share Offer, the Company and the Selling Shareholder have granted to DBS Asia the Over-allotment Option, which will be exercisable in full or in part by no later than 30 days after the last date for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, the Company and the Selling Shareholder may be required to issue and sell at the Offer Price up to an aggregate of 19,800,000 additional H Shares, representing 15% of the total number of H Shares initially available under the Share Offer, in connection with over-allocation in the Placing, if any.

Further details with respect to stabilization and the Over-allotment Option are set out in the paragraph headed “Over-allotment and Stabilisation” under the section headed “Structure and conditions of the Share Offer” in this prospectus.