

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 August 2006. The Company has established a place of business in Hong Kong at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong and was registered in Hong Kong as an overseas company under Part XI of the Companies Ordinance on 10 July 2007. Mr. Leung Wai Yip of Flat 2A, Fairview Court, 15-17 King Kwong Street, Happy Valley, Hong Kong was appointed as the authorized representative of the Company for the acceptance of service of process and notice on behalf of the Company in Hong Kong at the above address.

As the Company was incorporated in the Cayman Islands, it operates subject to Cayman Islands law and its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital of the Company

The following alterations in the share capital of the Company have taken place since the date of incorporation up to the date of this prospectus:-

- (a) As at the date of incorporation of the Company on 14 August 2006, the authorized share capital of the Company was US\$50,000 divided into 50,000 Shares of US\$1 each.
- (b) At the first board meeting of the Company held on 15 August 2006,
 - (i) one subscriber share of US\$1 was allotted and issued, to Mapcal Limited which was subsequently transferred to THCL on the same date;
 - (ii) 34,999 shares of US\$1 each were allotted and issued, credited as fully paid at par, to THCL, and the subscriber share was credited as fully paid at par, in consideration of the issue of promissory note for the sum of US\$35,000 by THCL to the Company; and
 - (iii) 15,000 shares of US\$1 each were allotted and issued, credited as fully paid, at the subscription price of US\$2,000 per share, to THCL in consideration of the issue of promissory note for the sum of US\$30,000,000 by THCL to the Company.
- (c) Pursuant to the resolutions in writing of the shareholders of the Company passed on 7 July 2007,
 - (i) each share of US\$1 each in the authorized share capital and the issued share capital of the Company was subdivided into 100 shares of US\$0.01 each; and

Note: as a result of the subdivision of shares, the authorized share capital and issued share capital of the Company were US\$50,000 divided into 5,000,000 shares of US\$0.01 each.
 - (ii) the authorized share capital of the Company was increased from US\$50,000 to US\$10,000,000 by the creation of an additional 995,000,000 shares of US\$0.01 each.

- (d) Save as aforesaid and in the paragraph headed “Resolutions in writing of shareholders of the Company passed on 7 July 2007” below, there has been no alternation in the share capital of the Company since the date of its incorporation.
- (e) Immediately upon completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the authorized share capital of the Company will be US\$10,000,000 divided into 1,000,000,000 Shares of which 400,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 600,000,000 Shares will remain unissued.
- (f) Other than pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, and save as otherwise disclosed herein, the Directors have no present intention to issue any part of the authorized but unissued share capital of the Company and, without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

3. Resolutions in writing of shareholders of the Company passed on 7 July 2007

On 7 July 2007, resolutions in writing were passed by shareholders of the Company pursuant to which, among other things:

- (a) the Company approved and adopted the Articles;
- (b) conditional upon all conditions set out in the section headed “Structure of the Global Offering” of this prospectus:
 - (i) the Global Offering and the Over-allotment Option were approved and the Directors were authorized to approve the allotment and issue of the Offer Shares pursuant to the Global Offering and any Shares which may be required to be allotted and issued if the Over-allotment Option is exercised;
 - (ii) conditional on the Listing Committee of the Stock Exchange granting approval of the Share Option Scheme, the grant of options thereunder and the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options granted thereunder, the Share Option Scheme were approved and adopted and the Directors were authorized to grant options to subscribe for Shares under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such actions as they consider necessary, expedient or desirable to implement the Share Option Scheme;
- (c) the Issuing Mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of options which may be granted under the Share Option Scheme, Shares with an aggregate nominal value of not exceeding the sum of 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be

granted under the Share Option Scheme) until the earliest of (i) the conclusion of the next annual general meeting of the Company, or (ii) the date by which the next annual general meeting of the Company is required by the Articles or the Companies Law or any applicable laws of the Cayman Islands to be held, or (iii) the passing of an ordinary resolution by shareholders of the Company revoking, varying or revising the authority given to the Directors;

- (d) the Repurchase Mandate was given to the Directors to exercise all powers for and on behalf of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Global Offering (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) until the earliest of (i) the conclusion of the next annual general meeting of the Company, or (ii) the date by which the next annual general meeting of the Company is required by the Articles or the Companies Law or any applicable laws of the Cayman Islands to be held, or (iii) the passing of an ordinary resolution by shareholders of the Company revoking, varying or revising the authority given to the Directors; and
- (e) the Issuing Mandate be extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company immediately following completion of the Global Offering (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme);
- (f) subject to the share premium account of the Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, the Directors are authorized to allot and issue a total of 295,000,000 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company (or as they may direct) at the close of business on the date of the shareholders resolutions (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalization of the sum of US\$2,950,000 standing to the credit of the share premium account of the Company, and the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

4. The Reorganisation

The companies comprising the Group underwent a reorganization to rationalize the Group's structure in preparation for the investment by the AIG Parties and the listing of the Shares as a result of which the Company became the holding company of the Group.

The reorganization involved the following steps:

- (a) the incorporation of the Company;

- (b) the incorporation of CTCL by the Company on 14 August 2006;
- (c) the acquisition of 0.2% and 99.8% of the entire registered capital of TG Tools by CTCL from Mr. Zhu and TG Group in August 2006 for an aggregate cash consideration of US\$20.0 million;

note: upon completion of the above transaction, TG Tools became a wholly-owned subsidiary of CTCL.

- (d) the acquisition of 75% of the registered capital of Tianji Packaging by TG Tools from TG Group in January 2007 at cash consideration of RMB1,500,000;
- (e) the acquisition of 25% of the registered capital of Tianji Packaging by TG Tools from 丹陽市永強塑料製品廠 (Danyang Yongqiang Plastic Product Factory) in January 2007 at cash consideration of RMB500,000;

note: upon completion of the above transactions set out in items (d) and (e), Tianji Packaging became a wholly-owned subsidiary of TG Tools.

- (f) the acquisition of 75% of the registered capital of TG Aihe by TG Tools from TG Group and the acquisition of 25% of the registered capital of TG Aihe by CTCL from Asia HSS Limited in March 2007 at cash considerations of RMB100,000,000 and US\$10,000,000, respectively.

note: upon completion of the above transactions set out in item (f), TG Aihe became a direct 75% owned subsidiary of TG Tools and an indirect wholly-owned subsidiary of CTCL.

5. Changes in the share capital of subsidiaries

- (a) The subsidiaries of the Company are set out in the Accountants' Report set out in Appendix I to this prospectus.

Set out below is a summary of the corporate information of the PRC subsidiaries of the Company:

- (1) Name: TG Tools
 Nature: wholly foreign owned enterprise
 Registered capital: RMB202,300,000
 comprising:-
- (a) initial registered capital of RMB32,000,000 in 1997

<u>Amount (RMB)</u>	<u>Contribution</u>
21,600,000	tangible assets
10,400,000	cash

- (b) increase in registered capital by RMB29,050,000 to RMB61,050,000 in 1999

<u>Amount (RMB)</u>	<u>Contribution</u>
14,350,000	cash
14,700,000	tangible assets

- (c) increase in registered capital by
RMB61,050,000 to RMB122,100,000 in
August 2006 by way of capitalization of profits
- (d) increase in registered capital by
RMB80,200,000 to RMB202,300,000 in
October 2006 by way of cash contribution

Total investment: RMB606,900,000

Owned by the

Company: 100%

Term: 7 July 1997 to 20 August 2056

Number of Directors: 7

- (2) Name: TG Aihe
- Nature: Sino-foreign equity joint venture
- Registered capital: RMB401,438,000 (of which RMB248,725,593.15
has been paid up)*
comprising:-

- (a) first tranche of the initial registered capital
of RMB79,440,078.84 in March 2004

<u>Amount (RMB)</u>	<u>Contribution</u>
30,903,078.84	cash
9,072,000.00	tangible assets
39,469,000.00	intangible assets**

- (b) second tranche of the initial registered
capital of RMB37,227,592.31 in September
2004

<u>Amount (RMB)</u>	<u>Contribution</u>
19,249,108.31	cash
17,978,484.00	tangible assets

- (c) third tranche of the initial registered capital
of RMB132,053,922.00 in November 2005
in tangible assets

* pursuant to TG Aihe's articles, only
RMB60,215,700, being 15% of the initial
registered capital of RMB401,438,000, was
required to be contributed within 3 months of
the date of business licence (which date was 5
December 2003)

** being technology know-how

Total investment: RMB705,397,000

Owned by the Company: 100%

Term: 5 December 2003 to 4 December 2053

Number of Directors: 7

- (3) Name: Tianji Packaging
 Nature: limited company
 Registered capital: RMB2,000,000 (fully paid up) in cash in May 2002
 Owned by the Company: 100%
 Term: 13 May 2002 to 12 May 2012
 Number of Directors: 3
- (4) Name: Tianfa Forging
 Nature: Sino-foreign equity joint venture
 Registered capital: US\$9,500,000 (of which US\$3,900,000 has been paid up)*
 comprising:-
- (a) initial registered capital of US\$2,000,000 in December 2002
- | <u>Amount (US\$)</u> | <u>Contribution</u> |
|----------------------|---------------------|
| 1,500,000 | cash |
| 500,000 | tangible assets |
- (b) first tranche of the increase in registered capital of US\$1,900,000 in March 2007 by way of cash
- * pursuant to the revised articles of association, the registered capital was increased by US\$7,600,000 to US\$9,600,000, the contribution shall be made within 2 years from the date of amendment of the business licence of Tianfa Forging (which date is 26 March 2007)
- Total investment: US\$10,500,000
 Owned by the Company: 75%
 Owned by the remaining: 25% by Takwai Development (H.K.) Limited
 Term: 11 October 2000 to 10 October 2015
 Number of Directors: 3

* The Company has been advised by its PRC legal advisers that save for TG Aihe and Tianfa Forging, the registered capital of each of the PRC subsidiaries of the Company has been fully paid up. The Group is required, under the articles of association and the joint venture contract of TG Aihe, to make payment of the outstanding registered capital of RMB152,712,406.85 of TG Aihe and US\$5,700,000 of Tianfa Forging on or before 12 March 2010 and 25 March 2009, respectively.

- (b) In addition to those disclosed in the paragraphs headed “Changes in share capital of the Company” and “Reorganisation” in this appendix, the following alterations in the share capital of the Company’s subsidiaries have taken place within the two years preceding the date of this prospectus:-

(1) CTCL

- (i) On 15 August 2006, 50,000 shares of US\$1.00 each in CTCL were allotted and issued nil paid to the Company.

(2) TG Tools

- (i) On 16 August 2006, 丹陽市永強塑料製品廠 (Danyang Yongqiang Plastic Product Factory), 江蘇豐裕工具有限公司 (Jiangsu Fengyu Tools Company Limited), 江蘇晶谷果機有限公司 (Jiangsu Jinggu Rice Machinery Company, Limited), 江蘇丹工實業總公司 (Jiangsu Dangong Enterprises Corp.) transferred their respective 16.35%, 0.16%, 0.16% and 0.16% interests in the registered capital of TG Tools at a cash consideration equivalent to the amount of registered capital transferred.

As a result of the completion of the transfers, Mr. Zhu and TG Group were the registered holders of capital contribution of RMB120,000 and RMB60,930,000, representing approximately 0.2% and 99.8% of the then total registered capital of TG Tools respectively;

- (ii) On 17 August 2006, the registered capital of TG Tools was increased from RMB61,050,000 to RMB122,100,000 and Mr. Zhu and TG Group made corresponding pro rata capital contribution of RMB120,000 and RMB60,930,000, respectively; and
 - (iii) On 18 September 2006, the registered capital of TG Tools was increased from RMB122,100,000 to RMB202,300,000 and CTCL made corresponding increase in capital contribution in US dollars equivalent of US\$10,000,000.
- (c) Save as disclosed in this paragraph A5, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

(A) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit shareholders to grant a general mandate to the directors to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting.

(a) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by the shareholders of the Company on 7 July, 2007 a general unconditional mandate (the "Repurchase Mandate") was given to the board of Directors authorising any repurchase by the Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued under the Over-allotment Option).

(b) Source of funds

Repurchases by the Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by the Company may be made out of funds which would otherwise be available for dividend or distribution or out of an issue of new shares made for the purpose of the repurchase.

(c) *Trading restrictions*

The total number of Shares which the Company may repurchase is up to 10% of the total number of the Shares in issue immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued under the Over-allotment Option). The Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. In addition, subject to the then prevailing requirements of the Listing Rules from time to time, repurchases of Shares on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of Shares on the Stock Exchange in the immediately preceding calendar month. The Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Company is required to procure that the broker appointed by the Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange.

(d) *Status of repurchased shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) *Suspension of repurchase*

Pursuant to the Listing Rules, the Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date hereof, during the period of one month immediately preceding the earlier of:- (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of the Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if the Company have breached the Listing Rules.

(f) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which the Company may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, the Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person" (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company on the Stock Exchange.

(B) Reasons for repurchases

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

(C) Funding of repurchases

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

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Capitalisation Issue and the Share Offer (and assuming that the Over-allotment Option is not exercised), could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within which the next annual general meeting of the Company is required by Cayman Islands law or the Articles to be held; or (3) the revocation or variation of the purchase mandate

by ordinary resolution of shareholders in a general meeting, whichever occurs first (the “Relevant Period”). If the Over-allotment Option is exercised in full, the exercise in full of the Repurchase Mandate on the basis of 400,000,000 Shares in issue immediately after the Capitalisation Issue and the Share Offer could result in up to 40,000,000 Shares being repurchased by the Company during the Relevant Period.

(D) General

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

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

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

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

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

- (a) the share transfer agreement (in Chinese) dated 18 August 2006 between TG Group and Mr. Zhu as vendors and CTCL as purchaser in respect of the acquisition of the entire issued share capital of TG Tools, as more particularly set out in item (c) of paragraph A4 to this appendix;
- (b) the Investors’ Agreement dated 28 August 2006 between the AIG Parties, Mr. Zhu, Madam Yu, THCL and the Company setting out the arrangement between the parties and a supplemental agreement dated 12 July 2007 in respect of the Lock-up Undertakings;

- (c) a service contract (in Chinese) dated 28 August 2006* between TG Group and TG Tools in respect of the provision of management and administrative services by TG Group to TG Tools and the related cancellation contract dated 15 March 2007;
- (d) a custodian and option agreement (in Chinese) dated 28 August 2006* between TG Group, TG Tools and TG Aihe in respect of the appointment by TG Group of TG Tools as custodian in respect of the 75% of the registered capital of TG Aihe and the granting of an option by TG Group to TG Tools for the acquisition of the registered capital under its custody, and the related cancellation contract (in Chinese) dated 15 March 2007;
- (e) a land use right transfer agreement (in Chinese) dated 28 August 2006 between TG Group as transferor and TG Tools as transferee in respect of part of properties numbered I as set out in Appendix IV to this prospectus for an aggregate consideration of RMB27,000,000 and two supplemental agreements (in Chinese) dated 28 February 2007 and 3 April 2007 between the parties confirming the properties transferred being the properties numbered 1 and waiving remaining outstanding consideration of RMB37,227,691;
- (f) the loan repayment and lending agreement (in Chinese) dated 28 August 2006 between, amongst others, TG Group and TG Tools pursuant to which TG Group agreed to lend a sum representing the difference between US\$20,000,000 and RMB149,000,000 to TG Tools;
- (g) a building transfer agreement (in Chinese) dated 1 January 2007 between TG Group as vendor and TG Tools as purchaser in respect of 15 buildings for a total consideration of RMB19,770,457.15 and a supplemental agreement (in Chinese) dated 14 April 2007 between the parties waiving TG Tool's payment obligations;
- (h) the share transfer agreement (in Chinese) dated 9 January 2007 between TG Group as vendor and TG Tools as purchaser in respect of the acquisition of 75% of the registered capital of Tianji Packaging, as set out in item (d) of paragraph A4 to this appendix;
- (i) the share transfer agreement (in Chinese) dated 9 January 2007 between 丹陽市永強塑膠料製品廠 (Danyang Yongqiang Plastic Product Factory) as vendor and TG Tools as purchaser in respect of the acquisition of 25% of the registered capital of Tianji Packaging, as set out in item (e) of paragraph A4 to this appendix;
- (j) the share transfer agreement (in Chinese) dated 28 February 2007 between TG Group as vendor and TG Tools as purchaser in respect of the acquisition 75% of the registered capital and related rights of TG Aihe, as more particularly set out in item (f) of paragraph A4 to this appendix;
- (k) the share transfer agreement (in Chinese) dated 28 February 2007 between Asia HSS as vendor and CTCL as purchaser in respect of the acquisition 25% of the registered capital and related rights of TG Aihe, as more particularly set out in item (f) of paragraph A4 to this appendix;
- (l) the loan agreement dated 28 February 2007 between BNP Paribas Hong Kong Branch (as lender) and the Company (as borrower) in respect of a facility of US\$10,000,000, being exclusively applied for financing the Company's acquisition of the 25% registered capital in TG Aihe by CTCL;

- (m) the share charge (in Chinese) dated 28 February 2007 executed by CTCL (as charger) and TG Tools as the Company in favour of BNP Paribas Hong Kong Branch (as chargee) in respect of 4.9% of the registered capital of TG Tools;
- (n) the transfer of patent contract (in Chinese) dated 28 February 2007 between Mr. Zhu (as transferor) and TG Tools (as transferee) in respect of the 24 registered patents as set out in the paragraph headed “Intellectual property rights of the Group” of this appendix below for nil consideration;
- (o) the transfer of patent application contract (in Chinese) dated 28 February 2007 between Mr. Zhu (as transferor) and TG Tools (as transferee) in respect of an application for patent registration numbered PCT/CN2006/001276 as set out in the paragraph headed “Intellectual property rights of the Group” of this appendix below for nil consideration;
- (p) the Hong Kong Underwriting Agreement; and
- (q) the Deed of Indemnity.








* *Parties have not performed the contracts signed in August 2006.*

The revised consideration under the supplemental agreement was with reference to the valuation conducted by an independent valuer.

2. Intellectual property rights of the Group

(a) Trademarks




As at the Latest Practicable Date, the Group has registered the following trademarks:

Trademarks	Place of Registration	Class	Registration Date	Registration Number
	PRC	13 (Note 1)	30 March 1988	311102
	PRC	9 (Note 2)	30 November 2000	535627
	Iran	7	25 December 2000	92294
	PRC	7 (Note 3)	28 February 2001	1530977
	PRC	7 (Note 4)	28 June 2001	1593736
	PRC	6 (Note 5)	28 January 2006	3946232
	PRC	40 (Note 6)	7 December 2006	3946231

Notes:

- (1) Opening Processing Cutting Tool, Thread Processing Cutting Tool, Tooth Milling Cutters
- (2) Television Antenna
- (3) Cutting Tool (including blade for machine), Cutter, Opening Processing Cutting Tool, Thread Processing Cutting Tool, Milling Cutters, Drill Bit (parts and components of machine), Cutting Tool (parts of machine), Cutter (parts of machine), Metalworking Machines, Dressing (Apparatus for machine)
- (4) Drill Bits (parts of machine), Cutting Tool (parts of machine), Drill Bits (components of machine), Lathe Tool, Opening Processing Cutting Tool, Milling Cutters, Cutting Tool (including blade for machine)
- (5) Alloy Steel, Cast Steel, Alloys of Common Metal, Anti-friction Metal, Pyrophoric Metals, Cobalt (not processed), Dust Metallurgy, Metal Sheets and Metal Plates, Unwrought or Semi-wrought Steel, Steel Billets (metallurgy)
- (6) Metallurgy, Gilding, Soldering, Metal Tempering, Metal Casting, Refining Services, Recycling of Waste and Trash, Metal Treating, Applying Finishes to Textiles

As at the Latest Practicable Date, the Group had applied for the registration of the following trademarks, the registration of which has not yet been granted:

<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Application date</u>	<u>Application number</u>
 天工	PRC	6	22 March 2005	4553945
 天工	PRC	7	22 March 2005	4553944
	Hong Kong	6, 7, 40	3 July 2007	300903519

(b) Patents

As at the Latest Practicable Date, the Group has been granted with the following patents in the PRC:

Type of patent	Patent description	Date of application	Date of expiry	Patent number
Utility Model	三角柄麻花鑽 Twist Drill	30 November 1999	29 November 2009	ZL 99 2 55267.2
Layout Design	三角柄麻花鑽 Twist Drill	30 November 1999	29 November 2009	ZL 99 3 40340.9
Utility Model	一種麻花鑽 Twist Drill	13 March 2000	12 March 2010	ZL 00 2 05039.0
Layout Design	麻花鑽 (細柄) Twist Drill (Small handle)	13 March 2000	12 March 2010	ZL 00 3 04566.8
Layout Design	麻花鑽 (粗柄) Twist Drill (Large handle)	13 March 2000	12 March 2010	ZL 00 3 04567.6
Utility Model	高性能麻花鑽 High Performance Twist Drill	24 October 2001	23 October 2011	ZL 01 2 67227.0
Layout Design	包裝盒 Packaging Box	29 December 2001	28 December 2011	ZL 01 3 60799.5
Layout Design	鑽頭 (黃黑雙色) Drill Bits (in yellow and black)	15 May 2000	14 May 2010	ZL 00 3 27029.7
Layout Design	包裝袋 Packaging Bag	29 December 2001	28 December 2011	ZL 01 3 60800.2
Layout Design	包裝盒 (中空) Packaging Box (Hollow)	4 January 2002	3 January 2012	ZL 02 3 00006.6
Layout Design	工具包裝盒 (115件) Tools Packaging Box (115 pieces)	5 June 2002	4 June 2012	ZL 02 3 07789.1
Layout Design	鋸鑽 Saw Drill	21 November 2003	20 November 2013	ZL 2003 3 0103741.5
Layout Design	木工扁鑽 Flat Drill	21 November 2003	20 November 2013	ZL 2003 3 0103740.0
Utility Model	一種鋸鑽 Saw Drill	3 December 2003	2 December 2013	ZL 2003 2 0125061.8
Utility Model	多用途麻花鑽 Multi-purpose Twist Drill	24 December 2003	23 December 2013	ZL 2003 2 0129978.5
Utility Model	一種木工扁鑽 Flat Drill	24 December 2003	23 December 2013	ZL 2003 2 0129979.X
Utility Model	一種麻花鑽套鑽盒 Twist Drill Chuck	17 February 2004	16 February 2014	ZL 2004 2 0003588.8
Utility Model	一種水泥鑽/電錘鑽的刀頭 Blade for Masonry Drill / Electric Hammer Drill	16 June 2004	15 June 2014	ZL 2004 2 0066043.1
Utility Model	螺紋航空鑽 Air Drill with Screw Thread	16 September 2004	15 September 2014	ZL 2004 2 0092432.1
Utility Model	一種三尖短鑽 Triangular Edge Drill	17 September 2004	16 September 2014	ZL 2004 2 0089248.1
Utility Model	一種分屑強力鑽 Chip-dividing High Strength Drill	14 September 2005	13 September 2015	ZL 2005 2 0075503.1
Layout Design	鑽頭 (1) Drill Bits (1)	22 September 2005	21 September 2015	ZL 2005 3 0089690.4
Utility Model	鑽頭 (3) Drill Bits (3)	22 September 2005	21 September 2015	ZL 2005 3 0089692.3
Utility Model	鑽頭 (4) Drill Bits (4)	22 September 2005	21 September 2015	ZL 2005 3 0089693.8

As at the Latest Practicable Date, the Group has applied for registration of the following patents in the PRC:

<u>Type of patent</u>	<u>Patent description</u>	<u>Date of application</u>	<u>Application Number</u>
Invention	Low alloy high speed tool steel	7 March 2005	200510038010.5
Invention	Rare earth high speed tool steel and its preparation	1 February 2005	200510037707.0
Invention	High speed tool steel and its rare earth processing craftsmanship	22 March 2005	200510038509.6
Utility Model	A swarf-splitting powerful drill	6 February 2006	PCT/CN2006/000201
Utility Model	A high performance and powerful twist drill	9 June 2006	PCT/CN2006/001276

(c) *Domain Name*

As at the Latest Practicable Date, the Company has registered the following domain name:-

<u>Domain Name</u>	<u>Registration Date</u>
www.tggj.cn	13 June 2006

C. DISCLOSURE OF INTERESTS

1. Interests and short position of Directors and the Chief Executive in the shares, underlying shares or debentures of the Company and its associated corporations

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests or short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XI of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(a) Long positions in the Shares

<u>Name of Director</u>	<u>Nature of interests and capacity</u>	<u>Total Number of Shares</u>	<u>Approximate percentage of interests</u>
Mr. Zhu	Corporate (Note 1)	210,000,000	52.5%
Madam Yu	Spouse (Note 2)	210,000,000	52.5%

Notes:

- Mr. Zhu holds 44,511 shares, representing approximately 89.02% of the total issued share capital of THCL. Mr. Zhu is deemed to be interested in the 420,000,000 shares held by THCL.

2. Madam Yu is the spouse of Mr. Zhu and holds 5,489 shares, representing approximately 10.98% of the total issued share capital of THCL. Madam Yu is deemed to be interested in Mr. Zhu's interests in the Company.

(b) Interests in the shares of associated corporation

Name of Director	Name of associated corporation	Nature of interests and capacity	Total Number of Shares	Approximate percentage of interests
Mr. Zhu	THCL	Beneficial owner	44,511	89.02%
Madam Yu	THCL	Beneficial owner	5,489	10.98%

Save as disclosed above, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of the Directors or chief executives of the Company has any interest or short position in the Shares, underlying Shares or debenture of the Company or any of its associate corporations which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange once the Shares are listed.

2. Interests and short positions of substantial shareholders in the shares, underlying shares or debentures of the Company

Information on persons, not being Directors or chief executive of the Company, who will have, immediately following the Global Offering (assuming the Over-allotment Option is not exercised), an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO is set out below:

Name of Shareholder	Nature of interests and capacity	Total Number of Shares	Approximate percentage of interests
THCL (<i>Note 1</i>)	Beneficial owner	210,000,000	52.5%
AIG Global Emerging Markets Fund II, L.P.	Beneficial owner	21,000,000	5.25
AIG GEM II G.P., L.P. (<i>Note 2</i>)	General partner	21,000,000	5.25
AIG GEM II G.P., Co. (<i>Note 2</i>)	General partner	21,000,000	5.25
AIG Capital Partners, Inc. (<i>Note 2</i>)	Interest in controlled corporation	21,000,000	5.25
AIG Global Asset Management Holdings Corp. (<i>Note 2</i>)	Interest in controlled corporation	21,000,000	5.25
AIG Capital Corporation (<i>Note 2</i>)	Interest in controlled corporation	21,000,000	5.25
AIG Asian Opportunity Fund II, L.P.	Beneficial owner	30,000,000	7.50
AIG AOF II G.P., L.P. (<i>Note 3</i>)	General partner	30,000,000	7.50
AIG Asian Opportunity II G.P. Ltd. (<i>Note 3</i>)	General partner	30,000,000	7.50
AIG Global Investment Corporation (Asia) Ltd. (<i>Note 3</i>)	Interest in controlled corporation	30,000,000	7.50
American International Assurance Company (Bermuda) Limited (<i>Note 3</i>)	Beneficial owner	9,000,000	2.25
	Interest in controlled corporation	30,000,000	7.50

Name of Shareholder	Nature of interests and capacity	Total Number of Shares	Approximate percentage of interests
American International Reinsurance Company, Ltd. (Note 4)	Interest in controlled corporation	39,000,000	9.75
AIG Life Holdings (International) LLC (Note 4)	Interest in controlled corporation	39,000,000	9.75
American International Group, Inc. (Note 5)	Interest in controlled corporations	60,000,000	15.00

Notes:

- THCL is owned as to approximately 89.02% and 10.98% by Mr. Zhu and Madam Yu, respectively.
- AIG GEM II G.P., L.P. is deemed to be interested in the Shares in the capacity as the general partner of AIG Global Emerging Markets Fund II, L.P. AIG GEM II G.P., Co. is deemed to be interested in the Shares in the capacity as the general partner of AIG GEM II G.P., L.P. AIG Capital Partners, Inc. is deemed to be interested in the deemed interests of AIG GEM II G.P., Co., its wholly-owned subsidiary. AIG Global Asset Management Holdings Corp. is deemed to be interested in the deemed interests of AIG Capital Partners, Inc., its wholly-owned subsidiary. AIG Capital Corporation is deemed to be interested in the deemed interests of AIG Global Asset Management Holdings Corp., its wholly-owned subsidiary.
- AIG AOF II G.P., L.P. is deemed to be interested in the Shares in the capacity as the general partner of AIG Asian Opportunity Fund II, L.P. AIG Asian Opportunity II G.P. Ltd. is deemed to be interested in the Shares in the capacity as the general partner of AIG AOF II G.P., L.P. AIG Global Investment Corporation (Asia) Ltd. is deemed to be interested in the deemed interests of AIG Asian Opportunity II G.P. Ltd., its wholly-owned subsidiary. American International Assurance Company (Bermuda) Limited holds 9,000,000 Shares and is also deemed to be interested in the deemed interests of AIG Global Investment Corporation (Asia) Ltd., its wholly-owned subsidiary.
- American International Reinsurance Company, Ltd. is deemed to be interested in the Shares and the deemed interests of American International Assurance Company (Bermuda) Limited, its wholly-owned subsidiary. AIG Life Holdings (International) LLC. is deemed to be interested in the deemed interests of American International Reinsurance Company, Ltd., its wholly-owned subsidiary.
- American International Group, Inc. is deemed to be interested in the Shares and the deemed interests of AIG Capital Corporation and AIG Life Holdings (International) LLC.

3. Interests of the substantial shareholders of any other members of the Group

So far as the Directors are aware, the following person (other than the Directors or chief executive of the Company) is expected, directly or indirectly, to be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) immediately following the Global Offering (assuming the Over-allotment Option is not exercised):-

Name of Substantial Shareholder	Name of members of the Group	Nature of interests and capacity	Share of Capital Contribution to Registered Capital	Approximate percentage of interests
Takwai Development (H.K.) Limited	Tianfa Forging	Beneficial owner	US\$24,000,000	25%

Save as set out in paragraphs 2 and 3 above, taking no account of any Shares which may be taken up under the Global Offering, the Directors are not aware of any person (not being a Director or chief executives of the Company) who will, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal amount of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or any options in respect of such capital.

4. Particulars of service contracts

(a) Executive Director

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date unless terminated by not less than three months' notice in writing served by either the executive Directors or the Company. In certain other circumstances, the agreement can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the agreement or serious misconduct. The executive Directors officially stationed in the PRC, but may be required to work in Hong Kong or in other places, as may be determined by the board of Directors from time to time.

The service contracts further provide that during the term of the service contract and within two years upon the termination of service, each executive director cannot engage in any business which is competing or is likely to compete, either directly or indirectly, with the business of the Group.

For the financial year ending 31 December 2007, the Directors are entitled to total salaries of RMB260,000, aggregate bonus and allowance totalled RMB4,465,000 and director's fee of approximately RMB139,000.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 20 June 2007. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save for directors' fees referred to in paragraph 4(b) below, none of the non-executive Director and the independent non-executive Director is expected to receive any other remuneration for holding their office as a non-executive Director or the independent non-executive Director.

(c) The annual salary and bonus of the Directors are as follows:

<u>Name of Director</u>	<u>Annual Salary</u>	<u>Annual bonus and allowance</u>	<u>Director's fee</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>HK'000</u>
Zhu Xiaokun	100	4,400	—	—
Zhu Zhihe	60	35	—	—
Zhu Mingyao	50	15	—	—
Yan Yonghua	50	15	—	—
Lin John Sian-zu	—	—	35	—
Thong Kwee Chee	—	—	35	—
Li Zhengbang	—	—	60	—
Gao Xiang	—	—	36	—
Lau Siu Fai	—	—	—	96

(d) Save as disclosed in this paragraph 4, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(e) Directors' remuneration policy

The Company's policies concerning remuneration of executive Directors are as follows:

- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group;
 - (ii) non-cash benefits may be provided at the discretion of the Board to the Directors under their remuneration package; and
 - (iii) the executive Directors may be granted, at the discretion of the Board, share options under the Share Option Scheme as part of their remuneration package.
- (f) During the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007, the aggregate emoluments of the Directors were approximately RMB3.8 million, RMB3.8 million, RMB4.0 million and RMB0.1 million respectively. Details of the Directors' remuneration are set out in note 10 to section C of the Accountants' Report set out in Appendix I to this prospectus.
- (g) Under the arrangements currently in force, the aggregate emoluments payable to the Directors for the year ending 31 December 2007 are estimated to be approximately RMB4.9 million.
- (h) None of the Directors or any past directors of any member of the Group has been paid any sum of money for the years ended 31 December 2006 and the three months ended 31 March 2007 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (i) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007.
- (j) The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Company.

5. Disclosure of interests of Directors in contracts

- (i) Save as disclosed in paragraphs A, B and C above, none of the Directors or their associates (as defined in the Listing Rules) were engaged in any dealings with the Group during the two years preceding the date of this prospectus; and
- (ii) Mr. Zhu, executive Director, is interested in the Reorganisation referred to in paragraph A4 of this appendix.

6. Related Party transactions / Connected Transaction

Related party transactions entered into within the 2 years immediately preceding the date of this prospectus are set out in note 28 to section "Notes to the Financial Information" of the Accountants' Report in Appendix I to this prospectus and the section headed "Relationship with the Controlling Shareholders" of this prospectus.

7. Agency fees or commissions received

- (i) None of the Directors, the promoters of the Company or the persons named under “Consents of experts” in this appendix had received any discounts, brokerage and other special terms, agency fee or commission from the Group in connection with the issue or sale of any capital of any member of the Group within the two years immediately preceding the date of this prospectus.
- (ii) The Underwriters will receive a commission and the Sponsor will receive a Sponsorship financial advisory and documentation fee as mentioned in the paragraph headed “Underwriting Commission and other expenses” under the section headed “Underwriting” to this prospectus.

8. Disclaimers

- (a) Save as set out in paragraphs A2(b) and (e), A3(f), A4 and A5(b) above, none of the Directors or any of the persons whose names are listed in the paragraph headed “Consents of experts” in this appendix are directly or indirectly interested in the promotion of the Company or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) Save as set out in paragraphs A2(d) and (e), A3(f) and A4 above, none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” in this appendix are materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (c) Save as set out in paragraphs C4(a) and C4(b), none of the Directors have entered or have proposed to enter into any service contracts with or any other member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (d) Save as set out in the paragraph headed “Over-allotment Option and Stabilisation” in the section headed “Structure of the Global Offering” and the share charge referred to in paragraph B1(m) in this section, none of the persons whose names are listed in the paragraph headed “Consents of experts” in this appendix have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group or is an officer or servant or a partner of or in the employment of an officer or servant of the Group;
- (e) no cash, share or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any cash, share or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this prospectus; and
- (f) so far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company has any interests in the five largest customers or five largest suppliers of the Group.

D. OTHER INFORMATION**1. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the Shareholders of the Company passed on 7 July 2007 and adopted by a resolution of the Board on 7 July 2007. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. The purpose of the Share Option Scheme is to provide the Participants (defined in paragraph 2 below) who have been granted options (the “Options”) under the Share Option Scheme to subscribe for Shares (the “Grantees”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.
2. The Directors may, at their discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the “Participants”) to participate in the Share Option Scheme.
3. Initially the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) shall not exceed 5% of the aggregate of the Shares in issue on the date on which trading of the Shares commences on the Stock Exchange (the “Listing Date”) and any Shares which may be allotted and issued by the Company under the Over-allotment Option (such 5% limit represents 20,000,000 Shares, assuming that the Over-allotment Option is not exercised) (Options which have lapsed shall not be counted in calculating the 5% limit). However (but subject to the 30% limit referred to in this paragraph below), the Company may refresh this 5% limit with Shareholders’ approval provided that each such limit (as refreshed) may not exceed the 5% of the Shares in issue as at the date of the Shareholders’ approval. (Options previously granted under the Share Option Scheme and any other share option schemes adopted by the Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed.) The Company may seek separate approval by Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options in excess of the limit are granted only to Participants specially identified by the Company before such approval is sought.

The total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share

option schemes adopted by the Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time. On the Listing Date, such 30% represents 120,000,000 Shares (assuming that the Over-allotment Option is not exercised).

4. Unless approved by Shareholders in the manner set out in this paragraph below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) under the Share Option Scheme in any 12 month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1% limit must be subject to prior Shareholders' approval with the relevant Participant and his associates abstaining from voting.

Each grant of Options to any director, chief executive or substantial shareholder of the Company (or any of their respective associates) (as such terms are defined in Rule 1.01 of the Listing Rules) shall be subject to the prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is a proposed grantee of Options). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

No offer shall be made and no Option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (b) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules,

and ending on the date of the results announcement, no Option may be granted.

5. (a) The period within which the Options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant Date of Grant (being the date on which the Board resolves to make an offer of Option to the relevant Grantee).
- (b) In the event a Grantee (being an employee or a director of any member of the Group) ceases to be a Participant for any reason other than (i) his or her death or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 12(f) below, the Option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines, in which event the Option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not also be a director of any member of the Group) shall be the last actual working day on which the Grantee was physically at work with the relevant member of the Group, whether salary is paid in lieu of notice or not.
- (c) In the event the Grantee dies before exercising the Option in full and none of the events for termination of employment or engagement under paragraph 12(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death.
- (d) If a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 5(e) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company at any time within such period as shall be notified by the Company.
- (e) If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company.
- (f) In the event a notice is given by the Company to its shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time

thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

- (g) In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 5(e) above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
 - (h) Upon the occurrence of any of the events referred to in paragraphs 5(d), (e), (f) and (g) above, the Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company. If the Company gives such notice that any Option shall be exercised in part only, the balance of the Option shall lapse.
- 6. At the time of grant of the Options, the Company may specify any minimum period(s) for which an Option must be held before it can be exercised. The Share Option Scheme does not contain any such minimum period.
 - 7. At the time of grant of the Options, the Company may specify any performance target(s) which must be achieved before the Options can be exercised in whole or in part. The Share Option Scheme does not contain any such performance targets.
 - 8. The amount payable on acceptance of an Option is HK\$1.00.
 - 9. The subscription price for the Shares the subject of the Options shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share on the Date of Grant. The subscription price will be established by the Board at the time the Option is offered to the Participant.
 - 10. The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the memorandum and articles of association of the Company

for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company. Prior to the Grantee being registered on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company), in respect of the Shares to be issued upon the exercise of the Option.

11. No Options may be granted under the Share Option Scheme on or after the date of the tenth anniversary of the adoption of the Share Option Scheme.
12. An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:
 - (a) the expiry of the Option period;
 - (b) the date or the expiry of the period for exercising the Option as referred to in paragraphs 5(b), (c), (d), (e), (f) or (g) above;
 - (c) subject to the scheme of arrangement (referred to in paragraph 5(e) above) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 5(e) above;
 - (d) subject to paragraph 5(f) above, the date of commencement of the winding up of the Company;
 - (e) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any other person, over or in relation to any Option in breach of the Share Option Scheme;
 - (f) the date on which the Grantee (being an employee or a director of any member of the Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be.
13. In the event of any alteration in the capital structure of the Company whilst any option becomes or remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the grantee) such corresponding alterations (if any) in:
 - (i) the number of Shares subject to any option so far as such option remains unexercised;
 - (ii) the subscription price;
 - (iii) the number of Shares subject to the Share Option Scheme;

that are required to give each grantee the same proportion of the share capital as that to which the grantee was previously entitled (as interpreted in accordance with

the Supplemental Guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to Share Option Schemes) but not so that the effect would be to enable any Shares to be issued to a grantee at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

14. Subject to the consent from the relevant grantee, the Board may as its discretion cancel options previously granted to and yet to be exercised by a grantee for the purpose of re-issuing new options to that grantee provided that there are sufficient available unissued options under the scheme mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of this Share Option Scheme.
15. An option is personal to the grantee and shall not be transferable or assignable. No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the grantee and the nominee has been provided to the satisfaction of, and on terms acceptable by, the Board).
16. Any amendment to the Share Option Scheme other than those set out in sub-paragraph (a) below must be approved by the majority of the Board or the Remuneration Committee of the Company.

(a) Amendments requiring shareholder approval

Subject to sub-paragraphs (b) and (c), the following matters require the prior sanction of a resolution of the Shareholders in general meeting:

- (i) any change to the provisions relating to:
 - (1) the purpose of the Share Option Scheme;
 - (2) the definitions of “Grantee”, “Option Period”, “Participant” and “Scheme Period” contained in the Share Option Scheme;
 - (3) the provisions relating the Scheme Period, the basis of eligibility for options, the method of making offer, the contents of an offer letter, the acceptance of an option, the subscription price, the exercise of options, the lapse of options, the maximum number of Shares available for subscription, cancellation of options, reorganisation of capital structure, termination and amendments of the Share Option Scheme;

which operates to the advantage of participants or grantees;

- (ii) any change to the authority of the Board or the Remuneration Committee;
- (iii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature except where such amendment takes effect automatically under the existing terms of the Share Option Scheme; and
- (iv) any amendment to the terms of options granted except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(b) *Amendments requiring the super majority consent from the grantees*

Notwithstanding any approval obtained pursuant to sub-paragraphs (a) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(c) *Amendments requiring the approval of the Stock Exchange*

Any amendment to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

17. Termination

The Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the shareholders in general meeting and in such event no further options will be offered but the provisions of the Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of the Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As at the Latest Practicable Date, no option has been granted by the Company under the Share Option Scheme. The Company will not grant options under the Share Option Scheme which will be exercisable within six months from the Listing Date.

The granting of the Options and the exercise of the same by PRC nationals are subject to the applicable laws and regulations of the PRC.

2. Estate duty, tax indemnity and other indemnity

(a) Tax indemnity and other indemnity

Each of Mr. Zhu, Madam Yu and THCL has, pursuant to the Deed of Indemnity referred to in the paragraph headed "Summary of material contracts" in this appendix, given joint and several indemnities in respect of among other things any tax liabilities which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date, save:

- (i) to the extent that any provision or allowance or reserve has been made for such taxation in the audited accounts of the Group for the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007, as set out in Appendix I to this prospectus;
- (ii) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or the interpretation or practice by the relevant tax authority or retrospective increase in tax rates coming into force after the Listing Date; and

- (iii) for which would not have arisen but for any act, transaction, omission of or transactions voluntarily effected by any member of the Group other than pursuant to a legally binding commitment created on or before the Listing Date and otherwise than carried out in the ordinary course of business after the Listing Date.

Pursuant to the Deed of Indemnity, each of the Controlling Shareholders has given a joint and several indemnity in favour of the Group in respect of all losses to be suffered by the Group as a result of any penalties, disputes, claims or proceedings arising from the Group did not make any payment of housing fund and insurance premium to work injury, medical and maternity insurance programs prior to 1 January 2004.

(b) Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in Cayman Islands, the British Virgin Islands and the PRC, being jurisdictions in which the companies comprising the Group are incorporated.

3. Litigation

Neither the Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of the Group.

4. Application for listing of Shares

The Sponsor has made an application for and on behalf of the Company to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue, the Shares to be issued as mentioned in this prospectus and any Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme.

5. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$3,000 and are payable by the Company.

6. Promoter

The Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualifications of experts

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

Name	Qualifications
BNP Paribas Capital (Asia Pacific) Limited	Licensed corporation holding a licence under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
American Appraisal China Limited	Independent Property Valuers
Zhonglun Law Firm	PRC legal advisers
Maples and Calder	Cayman legal advisers

8. Consents of experts

Each of the experts whose names are set out in paragraph D7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. Binding effect

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

10. Taxation of holders of the Shares

(a) Cayman Islands

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty unless the Company holds an interest in land in the Cayman Islands.

(b) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasized that none of the Company, the Directors or the other parties involved in the International Placing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profit from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profit tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty is charged on each of the purchaser and seller at HK\$1 for every HK\$1,000 or part thereof against the higher of the consideration or the fair value of the Shares being sold or transferred.

11. Particulars of the Selling Shareholders

The following are the particulars of the Selling Shareholders:

(1) AIG Asian Opportunity Fund II, L.P.

Registered Address:	M&C Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Nature of entity:	an exempted limited partnership organised under the laws of the Cayman Islands on 3 February, 2004
Auditors:	PricewaterhouseCoopers
Number of Shares for sale by the Selling Shareholders in the Global Offering (assuming that the Over-allotment Option is not exercised):	15,000,000 Shares
Number of Shares held after the Global Offering:	30,000,000 Shares

(2) American International Assurance Company (Bermuda) Limited ("AIAB")

Registered Address	American International Building, 29 Richmond Road, Pembroke, Bermuda HM 08, Bermuda.
Nature of entity	a company incorporated in Bermuda on 16 January, 1959 with limited liability
Description of Business:	insurance company
Directors:	Edmund Sze-Wing Tse, Derek Kai-Ming Yung, Lars Roland Bergquist, Stephen George Cubbon, and Mark Andrew Wilson
Ownership:	AIAB is an indirect wholly-owned subsidiary of American International Group, Inc., a public company
Auditors:	PricewaterhouseCoopers
Number of Shares for sale by the Selling Shareholders in the Global Offering (assuming that the Over-allotment Option is not exercised):	4,500,000 Shares
Number of Shares held after the Global Offering:	9,000,000 Shares

(3) AIG Global Emerging Markets Fund II, L.P.

Registered Address:	M&C Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Nature of entity:	an exempted limited partnership organised under the laws of the Cayman Islands on 8 October 2001
General Partner	AIG GEM II G.P., L.P. ("GEMIIGP")
General Partner's Directors:	Mr. David Yeung and Mr. John Hornbostel
Control of General Partner:	GEMIIGP is an indirect wholly-owned subsidiary of AIG Capital Partners, Inc., which is indirectly wholly-owned by American International Group, Inc.
Auditors:	PricewaterhouseCoopers
Number of Shares for sale by the Selling Shareholders in the Global Offering (assuming that the Over-allotment Option is not exercised):	10,500,000 Shares
Number of Shares held after the Global Offering:	21,000,000 Shares

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
- (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and
 - (v) no commission has been paid or payable, except for the commission payable to the Underwriters for subscription of, agreeing to subscribe or procuring subscription of any shares in the Company or any of its subsidiaries.
- (b) The Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2007 (being the date to which the latest audited financial statements of the Group were made); and

- (ii) there has not been any interruption in the business of the Group which may have or have had a material adverse effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (c) None of the experts referred to in paragraph D7 above:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (d) The register of members of the Company will be maintained in the Cayman Islands by Butterfield Fund Services (Cayman) Limited and a branch register of members 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 Shares must be lodged for registration with and registered by the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (e) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (f) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (g) The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).