

SHANDA INTERACTIVE ENTERTAINMENT LTD

Form F-3/A

July 08, 2005

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As filed with the Securities and Exchange Commission July 8, 2005

Registration No. 333-122029

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Amendment No. 1 to Form F-1

Form F-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

**Shanda Interactive Entertainment Limited**

*(Exact name of Registrant as Specified in its Charter)*

**Cayman Islands**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**7371**  
*(Primary Standard Industrial  
Classification Code Number)*

**Not Applicable**  
*(I.R.S. Employer  
Identification Number)*

**No. 1 Office Building  
No. 690 Bibo Road  
Pudong New Area  
Shanghai 201203  
China**

**Telephone: (86-21) 5050-4740**

*(Address and Telephone Number, Including Area Code, of Registrant's Principal  
Executive Offices)*

**CT Corporation System  
111 Eighth Avenue, 13th Floor  
New York, New York 10011  
(212) 894-8940**

*Copies to:*

**Greg Pilarowski, Esq.**

**Shanda Interactive Entertainment Limited**

**No. 1 Office Building  
No. 690 Bibo Road  
Pudong New Area  
Shanghai 201203  
China**

**Telephone: (86-21) 5050-4740**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective

registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earliest effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered(1)</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price Per Unit</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee</b>
Zero Coupon Senior Convertible Notes due 2014	\$275,000,000	100%(2)	\$275,000,000	\$32,367.50
Ordinary Shares, par value US\$0.01 per share	13,854,940(3)	(4)	(4)	(4)

(1) American depositary shares evidenced by American depositary receipts issuable upon deposit of the ordinary shares registered hereby have been registered pursuant to a separate registration statement on Form F-6 filed with the Commission on April 23, 2004 (File No. 333-114759). Each American depositary share represents two ordinary shares.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) and Rule 457(o) under the Securities Act of 1933, as amended.

(3) Such number represents the maximum number of the registrant's ordinary shares that may be issuable upon conversion of the notes registered hereby. Pursuant to Rule 416 under the Securities Act, in addition to the ordinary shares set forth in this table, the number of ordinary shares registered hereby shall include an indeterminate number of additional ordinary shares that may be issued from time to time upon conversion of the notes as a result of antidilution adjustments, in circumstances described in the prospectus that is part of this registration statement.

(4) Pursuant to Rule 457(i) under the Securities Act, there is no additional filing fee with respect to the ordinary shares issuable upon conversion of the notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Shanda Interactive Entertainment Limited  
\$275,000,000 Principal Amount of Zero Coupon**

**Senior Convertible Notes due 2014 and Ordinary Shares Issuable Upon Conversion of the Notes**

Shanda Interactive Entertainment Limited, or Shanda, issued the zero coupon senior convertible notes due 2014, or the notes, in a private placement in October 2004. This prospectus may be used by selling securityholders to sell their notes and ordinary shares of Shanda issuable upon conversion of the notes.

The notes will mature on October 15, 2014. The notes will not accrue interest unless specified events of default under the registration rights agreement occur.

Each US\$1,000 in principal amount of notes may be converted at any time prior to maturity (unless earlier redeemed, repurchased or exchanged) at the option of the holder into the consideration described below at the initial conversion rate of 50.3816 ordinary shares per US\$1,000 principal amount of notes, which is equal to an initial conversion price of US\$19.85 per ordinary share (or US\$39.70 per each of our American Depositary Shares, or ADSs). In respect of each US\$1,000 in principal amount of notes, the conversion consideration will consist of (a) cash in an amount equal to the lesser of (i) the principal amount of each note or (ii) the conversion value (as described in this prospectus) of such note; and (b) a number of our ordinary shares equal to the sum of the daily share amounts (calculated as described in this prospectus) for each of the five consecutive trading days beginning on the third trading day following the conversion date.

We will have the right to redeem the notes in whole or in part, at any time or from time to time, on or after October 15, 2007 at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest and liquidated damages, if any, to, but not including, the redemption date.

You have the right to require us to repurchase all or a portion of your notes on October 15, 2007 at a repurchase price equal to 100% of the principal amount of notes to be repurchased, plus accrued and unpaid interest and liquidated damages, if any, to, but not including, the repurchase date. If a fundamental change (as defined in this prospectus) occurs at any time prior to maturity you will have the right to require us to repurchase any or all of your notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest and liquidated damages, if any, to but not including the fundamental change repurchase date. In the event of a public change of control (as defined in this prospectus), however, your right to require us to repurchase your notes will be subject to our right to elect to adjust the conversion rate of the notes in lieu of repurchase.

Our ADSs are traded on the Nasdaq National Market under the symbol SNDA. On July 7, 2005, the last reported sale price of our ADSs was US\$38.61 per share.

The notes will be unsecured obligations equal in right of payment to our existing and future senior indebtedness and effectively subordinated to all of the indebtedness and liabilities of our subsidiaries.

Shanda will not receive any proceeds from the sale by the selling securityholders of the notes or the ordinary shares. Other than selling commissions and fees and stock transfer taxes, Shanda will pay all expenses of the registration of the notes and the ordinary shares and certain other expenses.

*See Risk Factors beginning on page 8 to read about risks you should consider before buying the Notes.*

**Neither the United States Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is [            ], 2005.

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**INTRODUCTION**

**Conventions that Apply to this Prospectus**

Except where the context otherwise requires and for purposes of this prospectus only:

we, us, our company and our refer to Shanda Interactive Entertainment Limited, its predecessor entities and subsidiaries, and, in the context of describing our operations, also include our PRC-incorporated affiliates, including Shanghai Shanda Networking Co., Ltd., or Shanda Networking, Nanjing Shanda Networking Co., Ltd., or Nanjing Shanda, and Hangzhou Bianfeng Networking Co., Ltd., or Hangzhou Bianfeng;

in certain instances, Shanghai Shanda Networking, Nanjing Shanda Networking, and Hangzhou Bianfeng Networking are referred to collectively as our our PRC operating companies ;

in certain instances, Shanda Networking is referred to as Shanghai Shanda Internet Development Co., Ltd. , which is an alternative English translation of its Chinese name;

China or PRC refers to the People s Republic of China, excluding Taiwan, Hong Kong and Macau; and

all references to RMB or Renminbi are to the legal currency of China and all references to U.S. dollars, dollars and US\$ are to the legal currency of the United States.

This prospectus contains translations of Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to U.S. dollars were made at the noon buying rate in The City of New York for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rate, as of December 31, 2004 which was RMB8.2765 to US\$1.00. We make no representation that the Renminbi amounts referred to in this prospectus could have been or could be converted into U.S. dollars at any particular rate or at all. On July 7, 2005, the noon buying rate was RMB8.2765 to US\$1.00.

**Special Note Regarding Forward Looking Statements**

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Act, and Section 21E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words expect , anticipate , intend , believe , or similar language. All forward-looking statements included in this annual report are based on information available to us on the date hereof, and we assume no obligations to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided under the caption Risk Factors in this prospectus. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties. The forward-looking statements included in this prospectus relate to, among others:

our goals and strategies;

our future business development, financial condition and results of operations;

our projected revenues, earnings, profits and other estimated financial information;

expected changes in our margins and certain cost or expense items as a percentage of our net revenues;

our plans to expand and diversify our sources of revenues;

expected changes in the respective shares of our revenues from particular sources;

our plans for staffing, research and regional focus;

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the projected economic lifespan of our current games, and our plans to launch new in-house developed games and license additional games from third parties, including the timing of any such launches or licenses;

our plans to launch new in-house developed games and license additional games from third parties, including the timing of any such launches or licenses;

our plans to launch new products, including movies and music content;

our acquisition strategy, and our ability to successfully integrate past or future acquisitions with our existing operations;

our estimates of earn-out payments and other obligations relating to our acquisitions and investments;

the development of other delivery platforms for online games, including online game consoles;

competition in the PRC online game industry;

the outcome of ongoing, or any future, litigation or arbitration;

the outcome of our annual PFIC evaluations;

the expected growth in the number of Internet and broadband users in China, growth of personal computer penetration and developments in the ways most people in China access the Internet; and

PRC governmental policies relating to the Internet and Internet content providers and to the provision of advertising over the Internet.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot assure you that our expectations will turn out to be correct. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the section called "Risk Factors" and elsewhere in this prospectus.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.



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**PROSPECTUS SUMMARY**

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus or incorporated herein by reference. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the notes or ordinary shares discussed under "Risk Factors", before deciding whether to buy the notes or ordinary shares.*

**Our Business**

We are an interactive entertainment company and one of the largest operators of online games in China. We offer a portfolio of online games that users play over the Internet and we plan to offer additional content such as music and movies through our operating platform while also exploring new channels to deliver our expanded content offerings to end users.

Our principal executive office is located at No. 1 Office Building, No. 690 Bibo Road, Pudong New Area, Shanghai 201203, China, and our telephone number is (86-21) 5050-4740. Our website address is www.snda.com. The information on our website is not a part of this prospectus.

**The Notes**

*The following is a brief summary of some of the terms of the notes and the ordinary shares. For a more complete description of the terms of the note see the section "Description of the Notes" elsewhere in this prospectus.*

Issuer	Shanda Interactive Entertainment Limited.
Notes Offered	Up to \$275,000,000 aggregate principal amount of Zero Coupon Senior Convertible Notes due October 15, 2014.
Maturity	October 15, 2014.
Interest	The notes will not accrue interest unless specified events of default under the registration rights agreement occur. See "Description of the Notes" Registration Rights.
Conversion Rights	<p>Each US\$1,000 in principal amount of notes may be converted at any time prior to maturity (unless earlier redeemed, repurchased or exchanged) at the option of the holder into the consideration described below at the initial conversion rate of 50.3816 ordinary shares per US\$1,000 principal amount of notes, which is equal to an initial conversion price of US\$19.85 per ordinary share (or US\$39.70 per each of our American Depositary Shares, or ADSs). In respect of each US\$1,000 in principal amount of notes, the conversion consideration will consist of (a) cash in an amount equal to the lesser of (i) the principal amount of each note or (ii) the conversion value (as described in this prospectus); and (b) a number of our ordinary shares equal to the sum of the daily share amounts (calculated as described in this prospectus) for each of the five consecutive trading days beginning on the third trading day following the conversion date. See "Description of the Notes" Conversion Rights.</p> <p>The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued interest. Upon conversion of notes, a holder will generally not receive any cash payment of interest, subject to certain exceptions. By delivering to the holder the cash</p>

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payment and the number of our ordinary shares issuable upon conversion (if any), we will satisfy our obligation with respect to the notes. See Description of the Notes Conversion Rights.

**Redemption Rights**

We will have the right to redeem the notes in whole or in part, at any time or from time to time, on or after October 15, 2007 at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest and liquidated damages, if any, to, but not including, the redemption date.

**Repurchase Right**

You have the right to require us to repurchase all or a portion of your notes on October 15, 2007 at a repurchase price equal to 100% of the principal amount of notes to be repurchased, plus accrued and unpaid interest and liquidated damages, if any, to, but not including, the repurchase date.

**Repurchase Upon a Fundamental Change**

If a fundamental change (as defined in this prospectus) occurs at any time prior to maturity, you will have the right, subject to our right to elect to adjust the conversion rate of the notes in lieu of permitting a repurchase at the holder's option in the event of a public acquirer change of control (as defined in this prospectus), to require us to repurchase any or all of your notes for cash, or any portion of the original principal amount thereof that is equal to US\$1,000 or an integral multiple of US\$1,000. The cash price we are required to pay is equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest and liquidated damages, if any, to but not including the fundamental change repurchase date. See Description of the Notes Repurchase Upon a Fundamental Change.

**Public Acquirer Change in Control**

In the case of a public acquirer change of control (as defined herein), we may, in lieu of permitting a repurchase at the holders' option and increasing the conversion rate of the notes as described under Description of the Notes Adjustment to Conversion Rate upon a Fundamental Change, elect to adjust the conversion rate and the related conversion obligation such that from and after the effective date of such public acquirer change of control, holders of the notes will be entitled to convert their notes into a number of shares of public acquirer common stock by adjusting the conversion rate in effect immediately before the public acquirer change of control as described in Description of the Notes Public Acquirer Change of Control .

**Ranking**

The notes will be general unsecured obligations of Shanda. Your right to payment under these notes will be:

equal in right of payment to all existing and future senior indebtedness;

senior in right of payment to any existing and future subordinated debt; and

structurally subordinated to any future senior secured indebtedness.

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Registration Rights	<p>We have agreed, for the benefit of the holders of the notes, to:</p> <p>file the shelf registration statement, of which this prospectus is a part, with respect to the resale of the notes and the ordinary shares issuable upon conversion of the notes; and</p> <p>use commercially reasonable efforts to cause the shelf registration statement to be declared effective within 210 days after the original issuance of the notes and to keep the shelf registration statement effective until the earlier of (i) the sale pursuant to the shelf registration statement of all the notes and the ordinary shares issuable upon conversion of the notes; (ii) the date when the holders of the notes and ordinary shares (including ordinary shares in the form of ADSs) issuable upon conversion of the notes are able to sell such securities immediately without regard to the volume limitation provisions of Rule 144 under the Securities Act, or any successor provision, subject to permitted exceptions and (iii) the second anniversary of the effective date of the shelf registration statement.</p> <p>We will be required to pay liquidated damages to the holders of the notes in certain circumstances if we fail to comply with our obligations to register the notes and the ordinary shares issuable upon conversion of the notes within the specified time periods. See <a href="#">Description of the Notes</a> <a href="#">Registration Rights</a>.</p>
DTC Eligibility	<p>The notes were issued in fully registered book-entry form and are represented by one or more permanent global notes without coupons. The global notes were deposited with the trustee as a custodian for The Depository Trust Company, or DTC, and were registered in the name of Cede &amp; Co., DTC's nominee. Beneficial interests in global notes are shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, and your interest in any global note may not be exchanged for certificated notes, except in limited circumstances described herein. See <a href="#">Description of the Notes</a> <a href="#">Form, Exchange, Registration and Transfer</a>.</p>
ADS to ordinary share ratio	1:2
The ADSs	<p>Each ADS represents two ordinary shares, par value US\$0.01 per share. The ADSs will be evidenced by American depository receipts, or ADRs.</p> <p>The depository will be the holder of the shares underlying your ADSs and you will have rights as provided in the deposit agreement.</p> <p>Although we do not expect to pay dividends in the foreseeable future, in the event we declare dividends on our ordinary shares, the depository will pay you the cash dividends and other distributions it receives on our ordinary shares, after deducting its fees and expenses.</p> <p>You may turn in your ADSs to the depository in exchange for ordinary shares underlying your ADSs. The depository will charge you fees for exchanges.</p>



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We may amend or terminate the deposit agreement without your consent, and if you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.

You should carefully read the section in this prospectus entitled "Description of American Depositary Shares" to better understand the terms of the ADSs. You should also read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.

Depository The Bank of New York

Trading We do not intend to list the notes on any national securities exchange. The notes are eligible for trading in the PORTAL system. Notes sold by means of this prospectus will not, however, be eligible for trading in the PORTAL system. There is no public trading market for our ordinary shares. Our ADSs are traded on the Nasdaq National Market under the symbol "SNDA".

Use of Proceeds We will not receive any of the proceeds from the sale of any securities offered by this prospectus.

**The Ordinary Shares**

This prospectus may be used by selling securityholders to sell the ordinary shares of Shanda issuable upon conversion of their notes.

**Risk Factors**

Please see "Risk Factors" and other information included in this prospectus for a discussion of the risk factors you should consider carefully before deciding to invest in the notes or our ordinary shares.

**You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The selling securityholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.**

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations.

**Exchange Rate Information**

The following table sets forth information regarding the noon buying rates in Renminbi and U.S. dollars for the periods indicated.

**Renminbi per U.S. Dollar Noon Buying Rate**

	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Period-End</b>
2000	8.2784	8.2799	8.2768	8.2774
2001	8.2770	8.2786	8.2676	8.2766
2002	8.2770	8.2800	8.2669	8.2800
2003	8.2770	8.2800	8.2272	8.2769
2004	8.2770	8.2773	8.2765	8.2765

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	<b>Renminbi per U.S. Dollar Noon Buying Rate</b>	
	<b>High</b>	<b>Low</b>
January 2005	8.2765	8.2765
February 2005	8.2765	8.2765
March 2005	8.2765	8.2765
April 2005	8.2765	8.2765
May 2005	8.2765	8.2765
June 2005	8.2765	8.2765

Source: Federal Reserve Bank of New York

On July 7, 2005, the noon buying rate was RMB8.2765 to US\$1.00.

**Ratio of Earnings to Fixed Charges(1)**

The following table sets forth our ratio of earnings to fixed charges for the periods shown:

	<b>For the Year Ended December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>(Amounts in thousands of U.S. dollars)</b>				
<b>Ratio of Earnings to Fixed Charges(1)</b>	N/A	(Note(2))	25.08	5.13	5.63

(1) The term "fixed charges" means the sum of the following: (a) interest expensed and capitalized, (b) amortized premiums, discounts and capitalized expenses related to indebtedness, (c) an estimate of the interest within rental expense, and (d) preference security dividend requirements of consolidated subsidiaries, in each case, if any. The term "earnings" is the amount resulting from adding and subtracting the following items: add the following: pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees, (b) fixed charges, (c) amortization of capitalized interest, (d) distributed income of equity investees, and (e) our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges, -and subtract the following: (a) interest capitalized, (b) preference security dividend requirements of consolidated subsidiaries, and (c) the minority interest in pre-tax income of subsidiaries that have not incurred fixed charges, in each case, if any. A statement setting forth the computation of the unaudited ratios is filed as Exhibit 12.1 to the registration statement that includes this prospectus.

(2) Due to our loss in 2001, the ratio coverage was less than 1:1. We would have had to generate additional earnings of US\$165,000 to achieve a coverage of 1:1.

(1) Confirm whether 2004 figure requires updating in response to equity accounting of Actoz (and, if so, update exhibit 12.1).



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**RISK FACTORS**

*You should carefully consider the following risks, as well as the risks set forth in the section Risk Factors contained in Item 3 of our annual report on Form 20-F incorporated by reference herein, before investing in the notes or our ordinary shares. If any of these risks actually occurs, our business and your investment could be harmed. You should refer to the other information set forth or incorporated by reference in this prospectus, including our consolidated financial statements and the related notes incorporated by reference herein.*

**There is no public trading market for the notes, and the transfer of the notes will be restricted.**

Although the notes which were sold to qualified institutional buyers under Rule 144A have been approved for trading in PORTAL, any notes resold under this prospectus will no longer trade in PORTAL. Although the initial purchaser of the notes may make a market in the notes, it is not obligated to do so. The initial purchaser may cease making a market in the notes at any time without notice. In addition, any market-making activity will be subject to the limits imposed by applicable law. Accordingly, no market for the notes may develop, and any market that develops may not last. We do not intend to list the notes on any securities exchange.

Even if an active trading market for the notes were to develop, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the price of our ADSs, our performance and other factors.

Prior to the effectiveness of the registration statement of which this prospectus is a part, the notes, the ordinary shares issuable upon conversion of the notes or the ADSs representing such ordinary shares will not have been registered under the Securities Act or other securities laws. Unless and until the notes and the underlying ADSs are registered, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. Moreover, although our ordinary shares you are entitled to receive upon conversion of the notes are subject to registration rights pursuant to the registration rights agreement described in Description of the Notes Registration Rights, our ordinary shares you will have received upon exercise of your conversion right will not initially be freely tradable. Your notes, the ordinary shares issuable upon conversion thereof and the ADSs representing such ordinary shares will not be freely tradable absent registration or an exemption from registration.

**The notes are effectively subordinated to any secured debt that we may incur and the debt of our subsidiaries.**

The notes are not secured by any of our assets and therefore are effectively subordinated to all secured debt that we may incur. In addition, future debt that we incur, including accounts payable and other liabilities incurred in obtaining goods and services, may be secured by our assets. If we become insolvent or are liquidated, or if payment of any of our secured debt is accelerated, the holders of that secured debt will be entitled to exercise the remedies available to secured lenders under applicable law, including the ability to foreclose on and sell the assets securing such debt in order to satisfy such debt. In any such case, our remaining assets may be insufficient to repay the notes.

Our subsidiaries are separate legal entities and are not obligated to make any payments on the notes or make any funds available for payment on the notes, whether by dividends, loans or other payments. Dividend payments, loans and advances to us by our subsidiaries may be limited by contract or statute and depend upon the earnings of our subsidiaries. Our subsidiaries will not guarantee the payment of the notes. Our right to receive assets of any of our subsidiaries upon their liquidation or reorganization, and your right to participate in these assets, will be effectively subordinated to the claims of that subsidiary's creditors. Consequently, the notes will be effectively subordinated to all liabilities, including trade payables, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish, except to the extent that we are recognized as a creditor of such subsidiary, in which case our claims would still be subordinated to any security interests in the assets of such subsidiary and any debt of such subsidiary senior to that held by us.



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Neither we nor our subsidiaries are prohibited or limited under the terms of the indenture and the notes from incurring debt or acting as guarantors of debt for others in whom we or our subsidiaries may have an interest. Our ability to pay our obligations on the notes could be adversely affected by our or our subsidiaries' incurrence of indebtedness or other liabilities. We and our subsidiaries may from time to time incur indebtedness and other liabilities, including senior debt.

**We may not have the ability to repurchase the notes in cash if a holder exercises its repurchase right on the dates specified in this prospectus or upon the occurrence of a fundamental change.**

Holders of the notes have the right to require us to repurchase the notes on October 15, 2007 and (subject to our right to elect to adjust the conversion rate of the notes in lieu of permitting a repurchase at the holder's option in the event of a public acquirer change of control, as defined in this prospectus) upon the occurrence of a fundamental change prior to maturity as described under the headings "Description of the Notes - Repurchase Rights" and "Description of the Notes - Repurchase Upon a Fundamental Change." We may not have sufficient funds to make the required repurchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the notes in cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase tendered notes would constitute an event of default under the Indenture for the notes, which might constitute a default under any other debt we may have.

**Sales of a significant number of ADSs in the public market, or the perception of such sales, could reduce the price of the notes and impair our ability to raise funds in new security offerings.**

Sales of substantial amounts of our ADSs in the public market, or the perception that those sales may occur, could cause the market price of our ADSs to decline. Because the notes are convertible into ADSs, such a decline in the market price of our ADSs may cause the value of the notes to decline.

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**INFORMATION ABOUT THE OFFERING**

**Offer Statistics and Expected Timetable**

We have issued US\$275 million in aggregate principal amount of notes. Each US\$1,000 principal amount of notes may be converted into the conversion consideration described below, and further described in Description of Notes , at the initial conversion rate of 50.3816 ordinary shares per US\$1,000 principal amount of notes, which is equal to an initial conversion price of US\$19.85 per ordinary share (based on an initial conversion price of US\$39.70 per ADS). The conversion rate in effect at any given time is equal to the principal amount of a note divided by the applicable conversion rate and will be subject to antidilution adjustments, but will not be adjusted for accrued interest, if any. In respect of each US\$1,000 principal amount of notes, the conversion consideration will consist of (a) cash in an amount equal to the lesser of (i) the principal amount of each note or (ii) the conversion value (as described below); and (b) a number of our ordinary shares equal to the sum of the daily share amounts (calculated as described below) for each of the five consecutive trading days beginning on the third trading day following the conversion date (referred to as the applicable conversion reference period ), provided, however, that we will pay cash in lieu of fractional shares otherwise issuable upon conversion of the notes. The conversion value is equal to (a) the applicable conversion rate, multiplied by (b) the average of the reference price of our ordinary shares over the five consecutive trading days in the applicable conversion reference period.

Further information on the method and expected timetable for distribution is set forth below in Plan of Distribution . We will not receive any of the proceeds of the sale of the notes or our ordinary shares offered by this prospectus.

**Selling Securityholders**

The notes were originally issued to Goldman Sachs (Asia) L.L.C. on October 20, 2004 in a private offering. The \$275 million in aggregate principal amount of notes were issued at par. Goldman Sachs (Asia) L.L.C. resold the notes in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by them to be qualified institutional buyers, as defined by Rule 144A under the Securities Act. The selling securityholders may from time to time sell pursuant to this prospectus any or all of the notes and the ordinary shares into which the notes are convertible. When we refer to the selling securityholders in this prospectus, we mean those persons listed in the table below, as well as their transferees, pledgees, donees or successors.

The table below sets forth the name of each selling securityholder, the principal amount of notes that each selling securityholder may offer pursuant to this prospectus and the maximum number of ordinary shares into which the notes are convertible. Based upon information provided to us by the selling securityholder, unless set forth below, none of the selling securityholders has had within the past three years any material relationship with us or any of our predecessors or affiliates.

We have prepared the table based on information given to us by the selling securityholders on or before June 29, 2005. Because the selling securityholders may offer, pursuant to this prospectus, all or some portion of the notes or ordinary shares listed below, no estimate can be given as to the amount of notes or ordinary shares that will be held by the selling securityholders upon consummation of any sales. In addition, the selling securityholders listed in the table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their notes since the date as of which the information in the table is presented.

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Information about the selling stockholders may change over time. Any changed information given to us by the selling securityholders will be set forth in prospectus supplements if and when necessary.

<b>Selling Securityholder</b>	<b>Principal Amount in US\$ of Notes Beneficially Owned and Offered</b>	<b>Percentage of Outstanding Notes</b>	<b>Maximum Number of Ordinary Shares Issuable Upon Conversion of the Notes that May be Sold(1)</b>	<b>Percentage of Ordinary Shares Outstanding(2)</b>
AHFP Context(3)	\$ 250,000	*	12,595	*
Alabama Children's Hospital(4)	30,000	*	1,511	*
Alexian Brothers Medical Center(4)	115,000	*	5,793	*
Aloha Airlines Non-Pilots Pension Trust(4)	55,000	*	2,770	*
Aloha Pilots Retirement Trust(4)	30,000	*	1,511	*
Aristeia International Limited(5)	2,550,000	*	128,473	*
Aristeia Trading LLC(5)	450,000	*	22,671	*
Amaranth LLC(6)	30,000,000	10.9%	1,511,448	1.1%
Arkansas PERS(4)	1,485,000	*	74,816	*
Asian Diversified Total Return Limited Duration Company(7)	275,000	*	13,854	*
Attorney's Title Insurance Fund(4)	135,000	*	6,801	*
Boilermakers Blacksmith Pension Trust(4)	1,930,000	*	97,236	*
C&H Sugar Company Inc.	60,000	*	3,022	*
Citadel Equity Fund Ltd.(8)	47,500,000	17.3%	2,393,126	1.7%
CNHCA Master Account, LP(9)	1,250,000	*	62,977	*
Context Convertible Arbitrage Fund, LP(3)	3,300,000	1.2%	166,259	*
Context Convertible Arbitrage Offshore, Ltd.(3)	10,800,000	3.9%	544,121	*
Credit Suisse First Boston LLC(10)	2,150,000	*	108,320	*
CSS, LLC	2,000,000	*	100,763	*
Delta Airlines Master Trust(4)	550,000	*	27,709	*
Deutsche Bank Securities Inc.	2,500,000	*	125,954	*
DKR SoundShore Oasis Holding Fund Ltd.(11)	5,200,000	1.9%	261,984	*
DKR SoundShore Strategic Holding Fund Ltd.(11)	1,300,000	*	65,496	*
Duke Endowment(4)	475,000			