You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please refer to the section headed "Summary of Principal Legal and Regulatory Provisions" in Appendix IV to this prospectus.

RISKS RELATED TO OUR BUSINESS

Our success depends on the market recognition of our brand and we could be adversely affected by negative publicity

We rely heavily on the market recognition of our brand. We have a well-established operating history, strong brand recognition and a range of non-porous crystalised stone products. In 2010, our " " brand was recognised as a Famous Brand of Jiangxi Province (江西省著名商標). Our Directors believe that our business growth in our production and sales of our products depend heavily on the public perception of our brand and we anticipate that we will continue to rely on our brand in our future business. If we fail to promote our brand or to maintain or enhance the brand recognition and awareness amongst our customers, or if we are subject to events or negative allegations affecting our brand image or publicly perceived position of our brand, our business, operating results and financial conditions could be adversely affected.

We may not be successful in maintaining our current market position or implementing our market expansion plan

We captured approximately 46.2%, 48.7% and 40.0% of the PRC non-porous crystalised stone market for each of the three years ended 31 December 2012, respectively, in terms of total sales volume, according to the ZhongAn Report. We expect to capture the non-porous crystalised stone market in the PRC in a range of 50% to 60% in both 2013 and 2014 in terms of total sales volume based on our expected maximum designed annual production capacity, our expected market demand and the ZhongAn Report. We intend to maintain our current market position and continue to increase our market share and expand into new markets, particularly overseas markets, through extending our sales and marketing network, establishing our Yunshan Production Facilities and improving our production technologies. We also intend to capture market opportunities from porous crystalised stone, composite crystalised stone and other stone materials markets. As a result, we are subject to all of the risks that are specific to the domestic crystalised stone and other stone materials industry and the risks inherent in the unforeseen costs and expenses, challenges, complications, and delays encountered in connection with market expansion.

Our operations and market expansion may be hindered by risks including but not limited to cultural differences, instability or changes in the political, regulatory or economic environment, lack of understanding of the local business environment, financial and management system or legal system, differences in legal burdens in complying with local laws and regulations, stringent product liability and warranty requirements, potentially adverse tax consequences, competition within the local market and volatility in currency exchange rates.

Maintaining our current market position and implementing our market expansion plan has resulted in, and will continue to result in, substantial demands on our resources. Managing our expansion will require, among other things:

- continued enhancement of our research and development capabilities;
- successful hiring and training of personnel;
- increased marketing and service activities;
- sufficient liquidity;
- effective and efficient financial and management control;
- effective quality control;
- effective cost control;
- management of our suppliers to leverage on our purchasing power;
- ability to maintain and strengthen market recognition; and
- adjustment to the evolving needs and demands of customers.

There is no assurance that we will be able to successfully maintain or expand our market coverage or grow our business successfully after deploying our management and financial resources, particularly in the overseas markets. Any failure in maintaining our current market position or implementing our market expansion plan could materially and adversely affect our business, financial condition and results of operations.

We may not be able to keep up with the trends and develop products which are acceptable by our customers

Our ability to develop new products is important to us. Our competitiveness in the crystalised stone market depends in large part on our ability to develop new products and techniques so that we are able to continuously tailor our products to meet our customers' needs. Our non-porous crystalised stone is mainly engineered and manufactured to be white in colour, which we believe have sufficient market demand currently. We launched our 3G Phoenix Stone to the market in 2011 and we have recently successfully developed non-porous crystalised stone that are black and ivory in colour. Our sales are subject to changing consumers' preference, development of the crystalised stone technology and the crystalised stone market trends which we may or may not be able to predict accurately. Our ability to understand the PRC and overseas crystalised stone industry and its trends, our ability to foresee market opportunities and direct our resources to product development projects, financial resources and the experience of our team members could all affect the result of our product development.

New products or techniques are subject to continuous evolution and changes and we cannot assure you that our products or techniques developed will be well accepted by the market, or such products or techniques can be developed and put into market in a timely manner or at all. In the event that we are unable to develop new products and techniques that meet the needs of our customers or that our competitors have developed new and more advanced products and techniques which are well-received by the market, our business, financial condition and results of operations may be materially and adversely affected.

Any failure to maintain an adequate utilisation rate could have a material and adverse effect on our financial condition and operating results

During the Track Record Period, our utilisation rate was approximately 81.0%, 78.0% and 74.6%, respectively. The level of utilisation of our production facilities is one of the various factors affecting our revenue and our gross profit margin. If there is any decrease in the level of utilisation of our production facilities or if we fail to maintain an adequate utilisation rate, our revenue would be adversely affected. Our gross profit would also decrease, but not necessarily in proportion with the level of decrease in utilisation rate. In such event, we may need to reduce our production volumes, temporarily suspend the operation of our production lines or postpone the expansion of our production facilities. In addition, if there is any unexpected significant fluctuation in the demand for our products, the planned expansion of our production facilities could result in excessive production capacity, decrease utilisation rates and excessive supply of our products.

We may be unable to successfully expand our production facilities as we have planned, or such expansion may result in excess production capacity

To support our growing operations, we intend to expand our production facilities. Our Hengfeng Production Facilities are located at Jiujiang City, Jiangxi Province, the PRC and its four production lines are in full operation. Our Yunshan Production Facilities are also located at Jiujiang City, Jiangxi Province, the PRC and will have four production lines. The construction of the first production line has been completed and it has commenced operation in February 2013. We expect the second production line to commence operation in September 2013 and both the third and fourth production lines to commence operation in the second half of 2014. Further details of our production facilities are set forth in the paragraph headed "Business – Production Facilities" in this prospectus.

Our production capacity expansion plans involve the construction of production facilities, the installation of new equipment and assembly of new production lines. We cannot assure you that our production capacity expansion plans will be successfully implemented without delay. Any failure or delay in implementing any part of these plans may result in a lack of production capacity to support our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations.

On the other hand, we cannot assure you that our expanded production capacity will meet our anticipated production objectives due to factors beyond our control, such as natural disasters, inadequate infrastructures and changes in demand. Our sales may not grow at the same rate as the increase in our production capacity, which may result in excess production capacity in our production facilities. Any such excess production capacity could increase our cost of operation and also materially and adversely affect our business, financial condition and results of operations.

We may be unable to successfully expand our business into overseas markets

To support our growing operations, we intend to expand our business into the overseas market. We plan to continue to develop and explore the overseas markets such as South Africa, Europe and the Middle East by attending and participating in overseas trade shows and industry trade exhibitions in order to promote our products overseas and seek out overseas customers. Our sales staff will also take the initiations to communicate with our overseas customers regularly.

We will explore other means to expand our overseas sales, including possible cooperation with building materials chain stores but in the near future, we will follow our existing marketing and promotion policies in relation to overseas customers. We will continue to focus on direct communication with our overseas customers and placing resources in participating in overseas trade shows and exhibitions in the future as our Directors consider this as the most effective way to approach new customers directly and raise awareness and recognition of our Group and products among potential customers and overseas markets.

Our plan to expand our business into the overseas market is preliminary in nature as the implementation of our plans will continue to require substantial amount of capital investments, significant amount of managerial and technical resources and efforts, our ability to understand overseas crystalised stone industry and its trend, our ability of foresee market opportunities and direct our resources to product development projects, financial resources and the experience of our team members could all affect the result of our expansion plan.

Any of the above or other similar risks or uncertainties could significantly delay or otherwise restrict our ability to implement our overseas expansion plans, which could in turn adversely affect our ability to continue improving our operational efficiency and achieve desirable utilisation rates or otherwise improve our business prospects and profitability.

Since some of our products are processed by our customers before re-selling the same to their own customers, the demand for our products may be affected by the preferences of those other customers and we may not be able to accurately predict the trend of our products

Some of our products are further processed by our customers into other products, such as sanitary ware and kitchenwares before they re-sell the same to their own customers. We may not be able to timely gather sufficient information and data regarding the market acceptance of our products and customers' preferences. Failure to accurately track and gather market information in a timely manner in respect of the demand for our products and preferences of the customers other than our own may cause us to incorrectly predict sales trends and this may impede our ability to quickly align our marketing and product strategies to market changes.

We rely heavily on our senior management team and key personnel and the loss of any of their services could severely disrupt our business

Our future success is highly dependent on the ongoing efforts of our senior management and key personnel. Mr. Sui is responsible for our business strategy and overall development of our Group and has almost 18 years of experience in the decoration and building materials industry. The success of our Group is also dependent on the core members of our research and development team, namely Mr. Zhu, for his contribution in developing our patented technologies in the manufacturing process of our products. We rely on such key management for their capabilities in developing new products and production techniques, their extensive knowledge of and experience in the PRC non-porous crystalised stone industry, market, business environment and regulatory regime. Only a few members of our management team have knowledge of the formulas for the manufacturing of our non-porous crystalised stone. We may not be able to retain the services of our senior management or key personnel, or attract and retain senior executives or key personnel in the future. If we fail to retain our senior management, our business and results of operations could be materially and adversely affected. In addition, if any member of our senior management or any of our key personnel joins a competitor or forms a competing company, we may not be able to replace them easily and we may lose our technical know-how, research and development capability, customers, business partners and other key staff members.

We rely on a few major suppliers for our key raw materials and coal

For the three years ended 31 December 2012, the amount of purchase from our five largest suppliers accounted for approximately 77.5%, 56.1% and 75.2%, respectively, of our total purchases, and the amount of purchase from our largest supplier accounted for 35.3%, 14.7% and 21.4%, respectively, of our total purchases. We have not entered into long-term agreements with our suppliers. We procure the raw materials necessary based on the monthly production plans and projections formulated by our production team. Our procurement team may occasionally also make purchases to satisfy unexpected or urgent sales orders. If any of our major suppliers is not able to supply the required raw materials to us in a timely manner or significantly increases the prices at the time of our purchase, our business and operating results could be adversely affected. In addition, we may not be able to secure alternative supplies of raw materials of similar quality from other suppliers at prices and terms acceptable to us or at all.

Fluctuation of raw material and coal costs may adversely affect our profitability

We use coal and numerous raw materials in our production, including, lithium feldspar powder, soda ash, potassium carbonate and sodium fluorosilicate. The prices of the major raw materials and coal used by us during the Track Record Period have been volatile.

The table below sets forth the purchase of our major raw materials and coal as a percentage of our total purchase during the Track Record Period:–

	For the year ended 31 December		
	2010	**2011**	**2012**
	%	*%*	*%*
Coal	35.3	22.5	21.4
Soda ash (純鹼)	9.1	16.9	15.7
Sodium fluorosilicate (氟硅酸鈉)	9.5	11.6	11.6
Potassium carbonate (碳酸鉀)	11.7	10.7	9.1
Lithium feldspar powder (鋰長石粉)	8.7	9.1	8.1

The table below sets forth the average prices of our major raw materials and coal purchased during the Track Record Period:–

	Average price		
	2010	**2011**	**2012**
	RMB/tonne	*RMB/tonne*	*RMB/tonne*
Coal	1,143	1,011	997
Soda ash (純鹼)	1,117	1,794	1,589
Sodium fluorosilicate (氟硅酸鈉)	2,124	2,113	1,975
Potassium carbonate (碳酸鉀)	5,656	7,394	6,786
Lithium feldspar powder (鋰長石粉)	272	464	413

The sensitivity analysis on the price fluctuations of coal and soda ash, which were our largest purchases in 2011 and 2012, during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with specified increase or decrease of coal and soda ash prices, representing the maximum fluctuation of coal and soda ash prices:–

	Changes in our net profit for change in coal price of		
	+/-5%	**+/-10%**	**+/-15%**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	-/+1,416	-/+2,831	-/+4,247
Year ended 31 December 2011	-/+1,290	-/+2,580	-/+3,871
Year ended 31 December 2012	-/+1,291	-/+2,582	-/+3,874

	Change in our net profit for change in soda ash price of		
	+/-20%	**+/-40%**	**+/-60%**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	-/+1,577	-/+3,154	-/+4,731
Year ended 31 December 2011	-/+3,628	-/+7,257	-/+10,885
Year ended 31 December 2012	-/+3,793	-/+7,585	-/+11,378

As of the Latest Practicable Date, we did not have any hedging arrangements protecting us from price fluctuations in raw materials, coal or product components nor do we have any cost control measures to mitigate fluctuation of raw material prices. If we cannot pass on the increase in our costs to our customers or absorb an increase in such costs through improving our manufacturing and operating efficiency, adjusting our pricing strategy or other measures, our business, financial condition and results of operations may be materially and adversely affected.

We experienced net current liabilities during the Track Record Period

As of 31 December 2010, 2011 and 2012, we had net current liabilities of approximately RMB51.9 million, RMB41.0 million and RMB39.7 million, respectively. Our net current liabilities positions during the Track Record Period were mainly attributable to purchases of property, plant and equipment which were financed with various bank borrowings. Details of our net current liabilities during the Track Record Period are set forth in the paragraph headed "Financial Information – Net current liabilities" in this prospectus.

In addition, we have production capacity expansion plans with capital expenditure totalling RMB437.3 million and are required to make capital injection of US$2.5 million (approximately RMB15.5 million) by 31 December 2013.

There can be no assurance that we can secure sufficient funds by borrowings from financial institutions to finance our business, operations and capital expenditure. In the event that financial institutions providing existing banking facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking facilities on reasonable terms acceptable to us, our business, financial condition and results of operations may be adversely affected.

We may not be able to enjoy the various benefits including preferential income tax treatment associated with the accreditation as a High and New Technology enterprise

We are accredited as a High and New Technology enterprise and obtain the High and New Technology Enterprise Certificate in November 2010 for an initial period of three years from November 2010 to November 2013, and we may enjoy the preferential income tax rate in the years of 2010, 2011 and 2012 subject to the fulfillment of relevant requirements. Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "PRC EIT Law") and its relevant regulations, High and New Technology enterprises are conferred with a preferential income tax rate of 15% (reduced from the unified enterprise income tax rate of 25% under the PRC EIT Law). Following the accreditation as a High and New Technology enterprise, we are required to submit our financial statements together with details of our research and development activities and other technological innovation activities to the local tax authority and other relevant authorities for annual review to continue to enjoy the 15% preferential tax treatment. The application for extension review of our accreditation as High and New Technology enterprise shall be submitted within three months before the expiry in November 2013. If we successfully pass the extension review, our accreditation will be renewed on a three year basis. In 2011 and 2012, we were unable to pass the annual review as our research and development activities namely, the number of our research and development employees and capital expenditures, did not meet the specified criteria. As such, the additional amount paid by us for the two years ended 31 December 2012 as tax payable was approximately RMB14.6 million and RMB19.1 million, respectively. The enterprise income tax rate applied by us was 25% as compared with the preferential tax rate of 15%. As advised by our PRC Legal Adviser, if we fail the annual review or the extension review and cannot obtain approval from the local tax authority to renew our accreditation as a High and New Technology enterprise, we will not be entitled to enjoy the preferential tax treatment, as well as other benefits conferred under the accreditation.

We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and competitive position

Our future success depends in part upon our proprietary intellectual property. As of the Latest Practicable Date, we had a total of three registered patents granted by the State Intellectual Property Office of the PRC, including one invention patent and two utility model patents. In addition, we had 36 registered trademarks in the PRC and one registered trademark in Hong Kong. We also had 10 trademark applications pending approval by the relevant PRC regulatory authorities. We seek to protect our patents and other intellectual property rights through a combination of patents, registered trademarks, trade and confidentiality agreements. It is possible that any patents held by us may be invalidated, circumvented, or challenged. There can be no assurance that such patents or registered trademarks will provide us with competitive advantages or adequately safeguard our proprietary rights. Existing patents are granted for prescribed time periods and will expire at various times in the future. Registered trademarks are valid for ten years according to China intellectual property laws and must be renewed within certain prescribed period. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach.

It is often difficult to create and enforce intellectual property rights in China. Even where adequate laws exist, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a judgment or an arbitration award by a court of another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in China. Policing any unauthorised use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property.

We outsource the delivery of our products to logistics services providers and our customers may not be able to claim for loss or damage to our products during delivery

During the Track Record Period, we outsourced the delivery of our products to logistics service providers, all of which are Independent Third Parties. The logistics service providers are responsible for any loss or damage to our products during delivery and are responsible for the insurance coverage in respect of our products delivered by them. There is no assurance that the logistics service providers have sufficient insurance coverage for our products delivered by them, if at all. As such, our customers may have liability claims against us if there is loss or damage to our products during delivery and the logistics service providers do not have any or sufficient insurance coverage. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims are ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operation.

Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation expenses or licensing expenses or be prevented from selling certain of our products if these claims are successful

We may from time to time receive claims of infringement or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties. Third parties may claim that we are infringing or contributing to the infringement of their intellectual property rights.

Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. In addition, any intellectual property litigation involves significant risks. If there is a successful claim of intellectual property infringement against us, we might be required to pay substantial damages to the party claiming infringement, refrain from further sale of our products, develop non-infringing technology or enter into costly license agreements on an on-going basis. However, we may not be able to obtain royalty or license agreements on terms acceptable to us or at all. Any intellectual property litigation or successful claim could have a material adverse effect on our business, results of operations or financial condition.

We are exposed to environmental liabilities and may have to incur significant capital expenditure if additional or stricter laws and regulations are passed in relation to environmental protection

Under the relevant PRC environmental laws and regulations, the construction, expansion and operation of our production facilities are subject to certain environmental permits and other relevant PRC government environmental approvals. The failure to obtain such permits or approvals may subject us to fines and penalties imposed by the relevant PRC government authorities and we may be required to suspend the use of production facilities or vacate the premises. In addition, as our production processes generate waste water and air pollutants, we are also required to comply with applicable national and local environmental regulations. We have established a waste water treatment and recycle station in our manufacturing facilities to process, purify and recycle the waste water discharged. The air pollutants discharged during our production process undergo sulphur elimination and dust removal before its emissions. We are also subject to environmental assessment and inspection by the environmental protection authorities from time to time. If we fail to comply with present or future applicable environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations, which would have a material adverse effect on our business and results of operations.

In addition, we cannot assure you that future changes in PRC environmental protection laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. As China is experiencing substantial issues with environmental pollution, it is likely that the national, provincial and local governmental agencies will adopt regulations setting forth stricter pollution controls and requirements in the future. Any such regulation applicable to the manufacture of our products may require us to incur significant capital expenditure and increase our operating costs.

Product liability claims may be brought against us and may materially and adversely harm our business, financial condition, and results of operations

We are exposed to risks associated with product liability claims if the use of our products results in damage or injury. Further information on regulatory requirements of the crystalised stone industry is set forth in the section headed "Summary of Principal Legal and Regulatory Provisions" in Appendix IV of this prospectus. We also cannot assure you that future changes of the rules and regulations in the PRC in relation to crystalised stone products will not impose costly compliance requirements on us or otherwise subject us to future liabilities. We cannot assure you that product liability claims against us will not arise in the future, whether due to product quality, defects or other causes. We do not maintain product liability insurance, which our Directors confirm is consistent with general industry practice. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to implement our business strategies and manage our growth

Our business strategies as set forth in this prospectus are based on our existing plans in light of the prevailing market conditions. Therefore, these plans are subject to inherent risks and uncertainties at different development stages. Our plans are formulated based on the assumptions as to the occurrence of future events which include, but are not limited to, no material change in the existing political, legal, fiscal, foreign trade or economic conditions in China. These assumptions may not be correct, which may affect the commercial viability of our strategies. In such event, we may need to adjust our strategies in response to the changing market conditions. Even if we can implement our growth strategies, our growth could place a significant strain on our managerial, operational and financial systems, procedures and controls. We may not succeed despite making efforts and failure to effectively manage our expansion could increase our expenses and slow down the growth of our revenues, and our business prospects, operating results and financial condition could be adversely affected.

Any failure to maintain an effective quality control system and any breakdown at our production facilities could have a material and adverse effect on our business, financial condition and results of operations

We focus on the consistency of the quality of our crystalised stone products as the product quality is essential to the success of our business. The quality of our products is dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure of our quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial condition and results of operations.

Furthermore, smooth and consistent daily operations of our production facilities are highly crucial to our business. Regular repair and maintenance programs for our production facilities are scheduled by our production team. Our production lines currently require a complete overhaul once every three years primarily to repair the furnace and replace various other ancillary parts. Each complete overhaul requires us to cease production on the particular production line for an average period of three months. For the three years ended 31 December 2012, the scheduled downtime for maintenance, repairs and overhaul was 52, 25 and 99 days, respectively. We cannot assure you that the regular repair and maintenance programs implemented will discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm be caused to our plant, staff or production. Mechanical malfunction, stoppages, interruptions, damage or loss to our production facilities caused by fire, severe weather, earthquakes or other acts of God, government intervention or other events which are beyond our control could harm our business, results of operations and prospects. In addition, our manufacturing processes require a stable source of electricity. If at any time we do not have adequate electricity or fuel to sustain normal production to sustain normal production due to blackouts or shortage of electricity, we may need to limit, delay or halt production, which could adversely affect our business and operating results. We cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any breakdown or malfunctions of machinery occur, our business, financial condition and results of operations could be adversely impacted.

If we fail to maintain high utilisation rates at our production facilities, our profit margins would be materially and adversely affected

Higher utilisation rates of our production facilities allow us to allocate fixed costs over our products produced and lower our average production costs, thus increasing our profit margin. Historically, our Hengfeng Production Facilities achieved production utilisation rates of approximately 81.0%, 78.0% and 74.6%, for the three years ended 31 December 2012, respectively. The utilisation rates of our production facilities depend primarily on the demand for our products. The utilisation rates may also be affected by various other factors, such as skills of our employees, natural disasters and breakdown of production equipment. There is no assurance that we will be able to maintain a comparable level of output and utilisation rates for our production facilities in the future and in such event, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may not be able to recover deposits or prepayments paid to our suppliers

During 2012, we obtained bank acceptance bills and these bank acceptance bills were delivered to suppliers for purchase of raw materials, coal and electricity. As of 31 December 2012, such bank acceptance bills amounted to approximately RMB21.5 million and were disclosed under other commitments in our financial information. We anticipated that the addition of the first production line at the Yunshan Production Facilities in February 2013 would require us to secure more raw materials, coal and electricity for our production. As such, we have issued bills to the suppliers in advance in order to secure adequate supply of our raw materials, coal and electricity. We expect that such arrangement is non-recurring and made on a one-off basis.

The future relationship between our Group and the suppliers and the willingness and capability of the suppliers to supply raw materials, coal and electricity to us will be critical to our business and operations. If there is any material adverse change in the suppliers' business, financial condition and results of operation, or it is unwilling or unable to provide us with raw materials, coal and electricity in required quantities and at commercially acceptable prices, our business, financial condition and results of operations would be materially and adversely affected. As the above prepayments were made by bank bills, there is no assurance that our suppliers will refund the prepayments if they are unable to supply us with the relevant raw materials, coal and electricity as bank bills are transferable. There is also no assurance that the prepayment can be recovered in the event of a breach of contract by the suppliers despite necessary legal actions having been taken by our Group.

We may not be able to maintain the increasing trend of our gross profit margins or to maintain our net profit margins at the levels we recorded during the Track Record Period

Our gross profit margin increased from 38.5% for the year ended 31 December 2010 to 43.6% for the year ended 31 December 2011 and further to 47.1% for the year ended 31 December 2012. However, we cannot assure you that we will be able to maintain the increasing trend of our gross profit margin or to maintain our gross profit margin at or higher than its historical level during the Track Record Period as there is no significant barrier for new market entrants and the average unit selling price of our products and our raw material prices may be affected by a variety of factors, including changes in the general market supply of and demand for crystalised stone and other decoration and building materials, the changes in taxation and export policies, and various other factors that are beyond our control.

Our ability to borrow funds may be adversely affected by the recent global economic developments

As of 31 December 2012, we had RMB121.1 million of outstanding borrowings which were due and payable within one year. Our ability to borrow additional funds will depend on many factors, some of which are beyond our control, including levels of investor confidence in the markets we operate in and any factors that may impact market conditions and market confidence in general. The recent challenging global economic and market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If we are unable to borrow funds from our current or other funding sources or the access to funds becomes more expensive, it may materially and adversely impact on our business, prospects, financial condition and results of operations.

We intend to use bank borrowings but we may not be able to comply with the covenants under these borrowings or refinance such borrowings when they mature

As of 31 December 2012, we had RMB204.1 million in outstanding short-term and long-term bank borrowings. Further information is set forth in the paragraph headed "Financial Information – Indebtedness" in this prospectus. There can be no assurance that we will be able to obtain extensions of our credit facilities in the future as they mature. In the event that we are unable to obtain extensions of these facilities, or if we are unable to obtain sufficient alternative funding at reasonable terms, we will have to repay these borrowings with cash generated by our operating activities. There can be no assurance that our business will generate sufficient cash flow from operations to repay these borrowings. In addition, repaying these borrowings with cash generated by our operating activities will divert our financial resources from the requirements of our ongoing operations and growth and may have a material adverse effect on our business, prospects, financial condition and results of operations. Further, we are subject to interest rate fluctuations on our financial indebtedness which may adversely impact our cash flow if prevailing interest rate increases. Further information is set forth in the paragraph headed "Financial Information – Financial risks – Interest rate risk" in this prospectus.

Any acceleration of indebtedness may cause defaults and cross defaults under our current and future financing agreements, and as well as significant reductions in our liquidity and may have a material adverse effect on our business, prospects, financial condition and results of operation. As of 31 December 2012, we had RMB204.1 million of outstanding bank borrowings. All of these bank borrowings contained cross-default provisions. Pursuant to these agreements, we pledged the land, buildings, structures, machinery and equipment of the Hengfeng Production Facilities and Yunshan Production Facilities as security. We may lose part or all of these pledged property and assets if we default on these secured borrowings, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

Our failure of housing provident fund and social insurance fund contributions for all employees may be subject to fines and penalties under the relevant PRC laws and regulations

Under the relevant laws and regulations of the PRC, if an employer fails to register and make contribution of housing provident fund for its employees, the relevant housing provident fund authority is entitled to order the employer to pay such outstanding housing provident fund contributions within a prescribed time limit. If the employer fails to do so within such prescribed time limit, a fine in the range of RMB10,000 to RMB50,000 will be imposed. The housing provident fund authority may also order the employer to pay the outstanding housing fund within a prescribed time limit. If it fails to do so within such prescribed time limit, the housing fund authority may sort an order for payment from the relevant PRC court.

Prior to August 2012, Jiujiang Golden Phoenix and Jiangxi Golden Phoenix did not register with the relevant authority or maintain accounts with a designated bank in respect of the housing provident fund, or make any contributions to the housing provident fund. However, the Housing Provident Fund Management Centre of Jiujiang, the competent and responsible authority in respect of our housing provident fund issued a letter of confirmation on 28 January 2013 to confirm that since the effective date of the Regulations on Management of the Housing Provident Fund (《住房公積金管理條例》), it has been progressively implementing the regulations on private enterprises, foreign-invested enterprises and other non state-owned enterprises in Jiujiang municipality and are currently taking steps to set up and contribute towards the housing provident funds. The Housing Provident Fund Management Centre of Jiujiang further confirmed that it will not require Jiujiang Golden Phoenix and Jiangxi Golden Phoenix to make any contribution payment in respect of the unpaid contributions from date of incorporation of Jiujiang Golden Phoenix and Jiangxi Golden Phoenix to August 2012 nor will any penalty or other form of administrative penalties be imposed on Jiujiang Golden Phoenix and Jiangxi Golden Phoenix for the unpaid contributions to the housing provident fund.

Prior to the implementation of the Social Insurance Law of the PRC, which came into force on 1 July 2011, under the PRC laws, a fine ranging from RMB1,000 to RMB5,000 or in case of material breach, a fine ranging from RMB5,000 to RMB10,000, will be imposed on the management and other persons with direct responsibilities of the employer for non-compliances that occurred prior to 1 July 2011. The social insurance authorities are also entitled to order the employer to pay the outstanding social insurance within or without a time limit and impose a late charge of 0.05% and a fine ranging from one to three times of the outstanding amount for work-related injury insurance and the late charge of 0.2% for the other four types of social insurance if the employer fails to rectify the breach of social insurance contribution. Since 1 July 2011, for non-compliances that occurred after 1 July 2011, according to Social Insurance Law of the People's Republic of China, the social insurance authorities are entitled to order the employer to pay the outstanding social insurance (including pension, medical, work injury, unemployment and maternity insurance), and impose a late charge of 0.05% and a fine ranging from one to three times of the outstanding social insurance.

Prior to August 2012, Jiangxi Golden Phoenix did not register with the relevant authority or maintained accounts with a designated bank in respect of the social insurance fund, or made any contributions to the social insurance fund. As such, Jiangxi Golden Phoenix has breached the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》). On 28 January 2013, Jiangxi Golden Phoenix obtained a written confirmation from the Social Insurance Bureau of Yongxiu, the competent and responsible authority regarding the unpaid contributions from date of incorporation of Jiangxi Golden Phoenix to August 2012. According to such written confirmation, the Social Insurance Bureau of Yongxiu will not require Jiangxi Golden Phoenix to make any contribution payment in respect of the above unpaid contributions nor will any penalty or other form of administrative penalties be imposed on Jiangxi Golden Phoenix for the unpaid contributions to the social insurance fund.

For the three years ended 31 December 2012, the amount of outstanding housing provident fund contribution was approximately RMB617,000, RMB941,000 and RMB991,000, respectively, and the amount of outstanding social insurance contribution was approximately RMB8,000, RMB14,000 and RMB8,000, respectively. No provision for these amounts was made during the Track Record Period. Both Jiujiang Golden Phoenix and Jiangxi Golden Phoenix have made housing provident funds registration and commenced to make contribution for the staff from August 2012. Jiangxi Golden Phoenix has made social insurance registration and commercial to make contribution for the staff from August 2012.

Based on the foregoing, our PRC legal adviser, Beijing Tian Yuan Law Firm, are of the opinion that, although our contributions of housing provident fund and social insurance fund prior to August 2012 are non-compliances with the relevant PRC laws and regulations, the possibility that we will be ordered by relevant authorities to make payments for the outstanding housing provident fund and social insurance contributions is remote as the competent and responsible authorities, namely the Housing Provident Fund Management Centre of Jiujiang and Social Insurance Bureau of Yongxiu, have issued the aforesaid confirmations. However, we cannot assure you that such confirmations will not be rebutted or invalidated by the competent and responsible authorities or other government authorities in the future and subsequently we would be required to pay the outstanding housing provident fund and social insurance contributions and any related fines adversely affecting our financial condition and results of operation.

Certain properties that we own in the PRC may be subject to legal irregularities

Our production facilities are located at Jiujiang City, Jiangxi Province, the PRC. We currently own the land on which our production facilities are situated on and we have obtained the land use rights certificate from the PRC Government relating to the land. However, we had not obtained the construction project planning permits and the building ownership certificates for 18 buildings or structures which are situated on our land which have a total gross floor area of approximately 1,882.8 square metres. Thus, our PRC legal advisers advised that our failure to obtain the requisite PRC government approvals, permits and the ownership certificates may result in such building or structures being considered illegal and unauthorised structures.

According to the Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法), if a construction project proceeded without obtaining the relevant planning permit or the construction project violated the provisions of the planning permit, the competent department of the local people's government urban and rural planning at or above the county level shall order the construction to cease. If measures can be taken to eliminate the impact on the implementation of urban and rural planning, the governmental department shall order the offender to rectify the situation within a certain time limit and impose a penalty of 5% to 10% of the construction cost. If it is impossible to take measures to eliminate the impact, the department shall order the offender to demolish the building or structure within a certain time limit or forfeit the building or structure and confiscate any illegal gain, and may also impose a penalty not more than 10% of the construction cost.

Our failure to obtain the requisite PRC government approvals, permits and the ownership certificates may result in such buildings being considered illegal and unauthorised structures. Pursuant to the relevant PRC laws, the competent authorities may order the demolition, forfeiture of such buildings and/or require us to pay a penalty of up to RMB82,670.4. Please refer to the section headed "Business – Material non-compliance incidents" of this prospectus for further details on the above.

RISKS RELATED TO DOING BUSINESS IN THE PRC

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect the growth of our business and our competitive position

The majority of our business operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, the PRC government continues to exercise significant control over China's economic growth through direct allocation of resources, monetary and tax policies, and a host of other government policies such as those that encourage or restrict investment in certain industries by foreign investors, control the exchange between the Renminbi and foreign currencies, and regulate the growth of the general or specific market. While the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among various sectors of the economy.

Furthermore, the global capital and credit markets have been experiencing extreme volatility and disruption in recent periods. Declining residential real estate market in the United States and elsewhere, volatile oil prices and increased unemployment may contribute to global economic slowdown and/or a possible prolonged global recession, which may impair consumer confidence. The PRC, the economic condition of which is highly interdependent with the developments of the global economy, may be exposed to an increasingly volatile and fragile business environment. The various economic and policy measures enacted by the PRC government to forestall economic downturns or bolster China's economic growth could materially affect our business. Any adverse change in the economic conditions in China, in policies of the

PRC government or in laws and regulations in China could have a material adverse effect on the overall economic growth of China and market demand for our products. Any economic slowdown and/or global recession may materially affect our business, financial condition and results of operations.

It may be difficult to effect service of process upon us or our Directors or senior management who reside in mainland China or to enforce against them in mainland China any judgments obtained from non-PRC courts

We are incorporated in the Cayman Islands. Almost all of our executive Directors and senior management reside within mainland China, and substantially all of our assets and substantially all of the assets of those persons are located within mainland China. Therefore, it may be difficult for investors to effect service of process upon us or those persons residing in mainland China or to enforce against us or them in mainland China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Our labour costs may increase with the enforcement of the Labour Contract Law and other labour-related regulations in China

The PRC Labour Contract Law (《中華人民共和國勞動合同法》) became effective and was implemented on 1 January 2008. This new labour law and its implementing rules have reinforced the protection for employees, who, under the existing PRC Labour Law, have certain rights, such as the right to have written labour contracts, the right to enter into labour contracts with no fixed terms under specific circumstances, the right to receive overtime wages when working overtime and the right to terminate or alter terms in the labour contracts. In addition, the Labour Contract Law and its implementing rules have amended the existing PRC Labour Law and added some clauses that could increase labour costs. As a result of the requirements imposed by the Labour Contract Law, our historical labour costs may not be indicative of our labour costs going forward.

As the Labour Contract Law and its implementing rules are relatively new, there remains certain uncertainty as to their interpretation and application by the PRC government. However, with the enforcement of the Labour Contract Law and other labour-related regulations in China, our labour costs may increase, which may materially and adversely affect our business and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us

The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has been building a comprehensive system of laws and regulations governing economic matters in general. The overall effect has been to significantly enhance the protections afforded to various forms of foreign investments in China. We conduct our business primarily through our subsidiaries established in China. These subsidiaries are generally subject to laws and regulations in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, clients and suppliers. In addition, such uncertainties, including any inability to enforce our contracts, together with any development or interpretation of PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in other more developed countries. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

Governmental control of currency conversion may limit our ability to use our revenues effectively and the ability of our PRC subsidiaries to obtain financing

The PRC government imposes control on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a majority of our revenues in Renminbi, which as of the Latest Practicable Date was not a freely convertible currency. Restrictions on currency conversion imposed by the PRC government may limit our ability to use revenues generated in Renminbi to fund our expenditures denominated in foreign currencies or our business activities outside China. Under China's existing foreign exchange regulations, Renminbi may be freely converted into foreign currency for payments relating to current account transactions, which include, among other things, dividend payments and payments for the import of goods and services, by complying with certain procedural requirements. Our PRC subsidiaries may also retain foreign currency in their respective current account bank accounts for use in payment of international current account transactions. However, we cannot assure you that the PRC government will not take measures in the future to restrict access to foreign currencies for current account transactions.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes; such classification could result in unfavourable tax consequences to us and our non-PRC shareholders

We are a Cayman Islands holding company with a majority of our operations conducted through our operating subsidiaries in China. Under the PRC Corporate Income Tax Law that took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax law purposes and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations issued by the State Council relating to the new PRC Corporate Income Tax Law, a "de facto management body" is defined as the body that has the significant and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated the Circular of the State Administration of Taxation on Determination of Tax Resident Enterprises of Chinese-controlled Offshore Incorporated Enterprises in accordance with Their De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by a PRC individual resident as is in our case. As a result, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes and subject to the uniform 25% enterprise income tax as to our global income in the future. You should also read the risk factor headed "Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws" below. If we are treated as such a PRC resident enterprise under the PRC tax law, we could face adverse tax consequences.

We are a holding company and we rely on dividend payments from our subsidiaries for funding, which are subject to restrictions under PRC laws

We are a holding company incorporated in the Cayman Islands, and we operate our core businesses through our subsidiaries in the PRC. Therefore, the availability of funds for us to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from our PRC subsidiaries. If our subsidiaries incur debt or losses, their ability to pay dividends or other distributions to us may be impaired. As a result, our ability to pay dividends and to repay our indebtedness will be restricted. PRC laws require that dividends be paid only out of the after-tax profit of our PRC subsidiaries calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. PRC laws also require enterprises established in the PRC to set aside part of their after-tax profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends to us. These restrictions on the availability of our funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

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

Under the new PRC Corporate Income Tax Law and its implementation regulations issued by the State Council, to the extent such dividends for earnings derived since 1 January 2008 are sourced within China and we are considered a "resident enterprise" for PRC tax law purposes, then PRC income tax at the rate of 10% is applicable to dividends payable by us to investors that are "non-resident enterprises" so long as any such "non-resident enterprise" investor does not have an establishment or place of business in China or, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. A lower withholding tax rate may apply if such "non-resident enterprise" is incorporated in a jurisdiction that has entered into an income tax treaty or agreement with China that allows a lower withholding. Similarly, any gain realised on the transfer of the Shares by such "non-resident enterprise" investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China and we are considered a "resident enterprise" in China. If we are required under the new tax law to withhold PRC income tax on our dividends payable to our foreign shareholders who are "non-resident enterprises," or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Shares might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

Dividends paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC

Under the Enterprise Income Tax Law, the profits of a foreign-invested enterprise that are distributed to its immediate holding company outside the PRC are subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, this rate is lowered to 5% if a Hong Kong resident enterprise owns more than 25% of the PRC company distributing the dividends. However, according to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises Regarding Favourable Treatment Under Taxation Treaties (國家稅務總局關於印發《非居民享受稅收協議待遇管理辦法(試行)》的通知), which was issued by the State Administration of Taxation on 24 August 2009 and became effective on 1 October 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation agreements or treaties. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by our subsidiaries in Hong Kong.

An outbreak of any severe communicable disease in the PRC may adversely affect our results of operations

The outbreak of any severe communicable disease in the PRC could have a material adverse effect on the overall business sentiment and environment in the PRC, which in turn may have a material adverse effect on domestic consumption and overall GDP growth. As all of our revenue is currently derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, if our employees are affected by any severe communicable disease, we may be required to close our facilities or institute other measures to prevent the spread of the disease, which may disrupt our operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which may lead to reduced orders or scarcity of raw materials.

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Global Offering, there was no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder). The Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Global Offering or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active trading market will develop or be maintained following the completion of the Global Offering, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

In addition, the Stock Exchange have experienced substantial price and volume fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

As the Offer Price is higher than the net tangible asset value per share of our Shares immediate prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible book value of HK$1.05 per Share (assuming an Offer Price of HK$2.00, being mid-point of the Offering Price range of HK$1.00 to HK$3.00 per Share). If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their ownership percentage.

We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Offer Shares.

Future issue, sales and offers of our Shares may materially and adversely affect the prevailing market price of our Shares

Future issues and offers of securities by our Company or disposal of Shares by our Shareholders may negatively impact the prevailing market price of our Shares. We cannot assure you that our existing Shareholders and our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after completion of the Global Offering. We cannot predict the effect, if any, that any future sales of Shares by any Shareholder, or the availability of Shares for sale by any Shareholder may have on the market price of our Shares. Sales of substantial amounts of Shares by any Shareholder or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of the Shares.

Certain industry statistics contained in this prospectus are derived from various publicly available government or official sources and may not be accurate or reliable

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. We believe that the sources of these facts and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. These facts and statistics have not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Underwriters any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly replied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may exist elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

Prospective investors should read the entire prospectus carefully, and are strongly cautioned not to place any reliance on any information contained in any press articles or other media coverage which contains information not being disclosed or which is not consistent with the information included in this prospectus.

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorised any such press and media reports, and the financial information, financial projections, valuation and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccurancy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.