Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in the Company before making any investment decision regarding the Company. Potential investors should pay particular attention to the fact that the Company is incorporated in the Cayman Islands and all of the Group's operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on the Group's business, results of operations, financial condition or on the trading price of the Shares, and could cause investors to lose all or part of their investment.

The Company believes that there are certain risks involved in its operations. Many of these risks are beyond its control and can be categorized into: (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; (iv) risks relating to ownership of Shares; and (v) risks relating to the Global Offering.

RISKS RELATING TO THE GROUP

Maintaining technological expertise

The Group's success depends largely on its ability to provide products which meet the market's changing conditions and application and customers' changing requirements, to remain up-to-date with production technology, to maintain technological expertise to manufacture products, and to successfully anticipate and respond to technological changes in the manufacturing processes in a cost-effective and timely manner. In addition, the Group faces competition resulting from new or revised technologies that may render the Group's technologies less competitive or obsolete or reduce the demand for the Group's products. If the Group fails to maintain its technological leadership, improve its products, enhance its manufacturing processes or properly respond to the rapidly changing market trends and customers' requirements, its business, prospects, financial conditions and results of operations may be adversely and materially affected.

Development of new products

The Group's strategy is to develop new types of Reinforced Materials and End Products with a view to strengthen its position and reputation in the market. The Group is in the process of developing certain new types of Reinforced Materials by applying new kinds of polymer materials such as TPU (thermoplastic polyurethanes), PVDF (polyvinylidene fluoride) and PTFE (polytetrafluoroethylene) and of new End Products such as air beds and pools. It is expected that these new Reinforced Materials can provide wider variety of applications and improve the qualities and performance requirements to satisfy the customers' uplifting expectations. However, the development process can be time-consuming and highly complex. There can be no assurance that the new products will be developed successfully or can be launched to the market with economic viability. If such products and applications cannot successfully be developed and launched, the significant research and development costs may not be able to be recovered and the Group's business, prospects, financial condition and results of operations may be adversely affected.

No assurance that future expansion plans of the Group will be commercially successful

In order to further develop the Group's business, the Group plans to expand the sales network and distribution channels and enhance its production capacity. For details of the Group's expansion plans, please refer to the section headed "Business – Future Plans and Strategies" in this prospectus. These future plans require substantial investments in terms of capital commitment and management resources. There can be no assurance that the Group's personnel, systems, procedures and controls will be adequate to implement its business plans or support its future growth. Failure to manage the expansion effectively may materially and adversely affect the operating results of the Group.

Profit margin sustainability

For each of the three years ended 31 December 2006, 2007 and 2008 and the eight months ended 31 August 2009, gross profit margin of the Group was about 25.3%, 30.9%, 39.8% and 42.8% respectively. The increase in gross profit margin was primarily due to the changes in products mix with increasing contribution from higher margin business such as Reinforced Materials and End Products. Also, within the Reinforced Materials market, high end products with more superior performance specifications generally have a higher gross profit margin. Despite the overall increase in gross profit margin of the Group during the Track Record Period, the Group has experienced significant decrease in average gross margin for Conventional Materials from about 32.2% for the eight months ended 31 August 2008 to about 15.7% for the eight months ended 31 August 2009 primarily as a result of increased market competition. The mix of products that the Group sells affects its results of operations, such as its profit margins, since different products have different profitability. Profitability would also be affected by the number and type of new products launched, such as any additional cost incurred to develop specific techniques and formulae and pricing strategy. For End Products, profitability would be affected by the different types of End Products launched, the types and size of products sold under each category, the sophistication level of each product design and pricing strategy. If prices for Reinforced Materials or End Products decline as a result of pricing pressure from customers, price competition, increase in production costs or if the Group is unable to maintain a high proportion of Reinforced Materials and End Products in its product portfolio or if profit margins for Conventional Materials continue to decline as a result of increased market competition, the Group may not be able to maintain its gross profit margin at the current level.

The Group's ability to retain its senior management team

The success of the Group to date has been, and the future success of the Group will be, dependent on the continued services of its key management and various research and development and technical personnel. The Group expects that its senior management team will continue to play a pivotal role in the future growth and success of its business. In particular, Mr. Lin, the Chairman and executive Director of the Company, played a significant role in the business operations of the Group during the Track Record Period and is instrumental to the future development of the Group. However, there is no assurance that the Group will be able to continue to retain the service of any or all of its senior management team and the research and development and technical personnel. If any of these personnel was unable or unwilling to continue to serve in his/her present position, and the Group is unable to find a suitable replacement in a timely manner, the loss of their services and/or the Group's failure to find a suitable replacement may cause disruption to its business and may have an adverse impact on its ability to manage or operate its business effectively. The results of the Group's operations may be adversely affected as a result.

Sales orders on a short-term basis

The Group has not entered into any long-term sales contract with any of its major customers. Customers' orders may vary significantly from period to period and it is difficult to accurately project future order quantities or the magnitude of order. There is no assurance that any of the Group's customers will continue to place orders with the Group at the same level as in prior periods. Also, there is no assurance that the volume of the Group's customers' orders will be in line with its expectations. Should customers reduce their purchase orders or cease to place orders with the Group, the Group's business and financial performance may be adversely affected.

In addition, the short-term basis of the Group's sale orders means that it is not always able to forecast with certainty the sales that it will make in a given period and the Group may increase its production capacity, working capital and overhead in expectation of orders that may never be placed, or, that may be delayed, reduced or cancelled. Delayed, reduced or cancelled orders may result in the Group's inability to recover costs that it incurs in anticipation of those orders or to recover such cost in a timely manner, such as costs associated with purchases of raw materials. It may also result in under-utilization of the Group's manufacturing capacity if the Group declines other potential orders because it expects to use the capacity to produce orders that are later delayed, reduced or cancelled. The Group's inability to successfully obtain new purchase orders to fill each successive period, to plan its production capacity for these orders and to produce and deliver these products could substantially harm the Group's business, financial condition and results of operations.

Reliance on major customers

For each of the three years ended 31 December 2006, 2007 and 2008 and the eight months ended 31 August 2009, sales to the Group's five largest customers accounted for about 45.7%, 45.4%, 45.5% and 27.6%, respectively, of the Group's total turnover (which excluded the discontinued operation). For the same periods, sales to the Group's single largest customer accounted for about 10.7%, 12.8%, 10.0% and 6.4%, respectively, of the Group's total turnover (which excluded the discontinued operation). There is no assurance that such customers will continue to purchase or maintain their purchase volumes of the Group's products in the future.

The Group has not entered into any long-term sales agreement or commitment with its customers. The demand for the Group's products by such customers and other customers may change due to a number of factors, some of which may be outside of the Group's control such as changes in their businesses, personnel and sourcing policies. In the event that a significant number of these customers cease to purchase from the Group or reduce the purchase volume of orders placed with the Group, and the Group is unable to increase its sales to other existing customers and/or identify new customers, the Group's business and results of operations may be adversely affected.

Fluctuations in the price and supply of raw materials

The Company purchases large quantities of raw materials, including different kinds of polymers, addictives and fabrics, for the Group's businesses. The cost of raw materials, in the aggregate, represents a substantial portion of its operating expenses. For each of the three years ended 31 December 2006, 2007 and 2008 and the eight months ended 31 August 2009, the total cost for raw materials accounted for about 93.6%, 93.4%, 95.1% and 96.4% of the Group's total cost of sales, respectively. The cost of raw materials used for most of the Group's products generally follows price trends of, and varies with, the market conditions for petroleum or coal which may be highly volatile and cyclical. Please refer to the "Industry Overview" section in this prospectus for the historical price trend of crude oil and coal.

The Group's raw material supplies are also subject to a variety of factors that are beyond its control, including market shortages, supplier's business interruptions, government control and regulations of energy industries, weather conditions and overall economic conditions. The Company has not entered into any hedging arrangement to mitigate the raw material price risk and the Directors consider it is not necessary. The Group's major raw materials include PVC and DOP. During each of the three years ended 31 December 2006, 2007 and 2008 and the eight months ended 31 August 2009, the Group's average purchase cost per kilogram of PVC amounted to about RMB5.8, RMB6.4, RMB6.8 and RMB5.8 respectively, while that of DOP amounted to about RMB12.8, RMB12.8, RMB10.7 and RMB8.1 respectively for the same periods. In the future, there may be periods of time when the Group is unable to pass raw material cost increases on to customers quickly enough to avoid adverse impacts on the Group's profit margins. The Group's business, prospects, financial condition and results of operations could be materially affected by increases and volatility of these costs and any shortage in supply of raw materials. Cost increases may also increase working capital needs, which could reduce the Group's liquidity and cash flow. In addition, in the event that raw material costs increase rapidly and are passed along to customers as product price increases, the credit risks associated with certain customers can be compounded and demand in the Group's products may decrease.

Reliance on major suppliers

For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, purchases from the Group's five largest raw materials suppliers in aggregate accounted for about 32.2%, 34.3%, 50.3% and 37.5% of the Group's total purchases, respectively. For the same periods, purchases from the Group's single largest raw materials supplier accounted for about 9.4%, 11.1%, 19.5% and 10.8% of the Group's total amount of purchases, respectively. There is no assurance that these suppliers will continue to supply raw materials to the Group in the future.

In the event any of the Group's major suppliers decides not to supply raw materials to the Group, but the Group was unable to find alternative supplies of the raw materials of the similar quantity and/or quality at comparable prices, this will lead to a disruption in the supply of such raw materials, and in turn may adversely impact on the Group's results of operations and prospects.

Uncertain protection and possible infringement of the Group's intellectual property rights

The Group has registered under its own name or applied for registration of a number of patents for invention, utility models and designs and trademarks, which are important to the Group's business, further details of which are set out in the subsection headed "Intellectual property rights of the Group" in Appendix VI to this prospectus.

There is no guarantee that the pending applications for registration of various intellectual property rights by the Group will eventually be granted by the respective authorities. It may be possible for other third parties to copy or otherwise obtain and use the Group's intellectual property rights without authorization. In addition, there are countries, including but not limited to the PRC, where protection of patents, trademarks and other intellectual property rights may not be effective or may be limited. There can be no assurance that any steps taken by the Group will successfully prevent misappropriation or infringement of its intellectual property rights.

It is also possible that during the course of its business, the Group could be found liable for having infringed third parties' intellectual property rights. If claims for infringement of third party intellectual property rights are brought against the Group, it may need to incur significant resources in defending in such legal proceedings and cause a diversion of the Group's financial and human resources from the Group's normal business activities. In addition, if the Group loses in any such proceedings or has any of its intellectual property rights revoked as a result, the Group's business operations, financial position and prospects may be adversely affected.

Potential changes or discontinuation of the favorable tax treatments in the PRC currently available to the Group

Fujian Sijia was granted the preferential enterprise income tax rate of 15% by the State Administration of Taxation in Fuzhou, Fujian Province for the three years ending 31 December 2010 due to its status as an "advanced technology enterprise". Xiamen

Grandsoo was exempted from corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. The first deemed profitable year of Xiamen Grandsoo was 2008 due to the implementation of new PRC tax regime. Therefore, Xiamen Grandsoo has been exempted from corporate income tax for the years ended 31 December 2008 and 2009, respectively, and will enjoy a 50% tax reduction for the three years ending 31 December 2010, 2011 and 2012. There can be no assurance that the current favorable tax policies available to the Group will not be withdrawn or revoked by the PRC government or become less favorable. If the current favorable tax treatments are reduced or are no longer available in the future, the Group's results of operations in the future may be adversely affected.

Possibility of claims over defective products

Manufacturers and sellers of defective products in the PRC may be liable for loss and injury caused by such products. According to the principal laws and regulations governing this area, such as the General Principles of the Civil Law of the PRC, where a substandard product causes property damage or physical injury to any person, the manufacturer or seller of such substandard product may be subject to civil liabilities under the relevant PRC Civil Laws for such damage or injury. In addition, under the Product Quality Law, manufacturers are responsible for the quality of the products they produce and the products must meet certain minimum standards and manufacturers producing defective products can be liable for criminal liability and have its business licenses revoked. Further, the Consumers' Rights Protection Law gives protection to legal rights and interests of consumers in respect of the safety of people and property in the purchase or use of goods or services and business operators have to assume criminal liability if the goods or services they produce, sell or provide lead to death or serious injuries of the customers.

While there has been no any complaints or claims against the Group's products or losses or injuries due to defective products during the Track Record Period, there is no assurance that the Group will not receive any complaints or claims against the Group pursuant to, including but not limited to, any of the above-mentioned laws in the future, which may adversely affect the reputation and operation of the Group. The Group may also be liable for losses and injuries due to defective products sold in other jurisdictions outside the PRC which may adversely affect the Group's financial condition and results of operations. There can be no assurance that Group's existing insurance coverage would be sufficient to cover all of the Group's product liability exposure.

Seasonal fluctuations

Some of the Group's products, including certain Reinforced Materials and certain End Products, generally show seasonality patterns in terms of sales volume as demands for these products are subject to the weather conditions. For example, there are usually higher demands for waders and protective clothing for use in rainy weather, in rainy and wet seasons and higher demands for drifting boats in summer season, which is the peak season for drifting tourism spots. Normally, the peak season for the manufacturing of these End Products will be a few months before the summer and rainy season, when the demand for these products will be higher. Whilst the seasonality impact of such products had, to a certain extent, been offset by the Group's sales of other products thus the overall seasonality of the Group's sale is not apparent, there is no assurance that the Group's performance may not be affected by seasonal factors and abnormal changes in weather conditions.

Risks relating to property titles of the Xiamen Land and the Xiamen Plant

As at the Latest Practicable Date, the Group has not yet obtained the land use rights certificate for Xiamen Land and the building ownership certificates for the Xiamen Plant with an area of 8,736 sq.m. on Xiamen Land as it is the policy of the Management Committee of Xiamen Tongan Industrial Zone, within which the Xiamen Land is located, that land use rights certificate and building ownership certificate for all buildings in such industrial zone would only be applied for collectively after all occupants of the industrial zone have completed construction and the constructions have been inspected and accepted by the relevant authorities. It is currently estimated that the land use rights and building ownership certificates of the Xiamen Land and Xiamen Plant will be granted to Xiamen Grandsoo by the end of 2011. According to the confirmation issued by the Tongan Branch of the Xiamen Land and Building Administration Bureau ("Xiamen Bureau Tongan Branch") on 18 September 2009, Xiamen Grandsoo had submitted all the required documents for the application of the relevant land use rights certificate and building ownership certificates, fulfilling the statutory requirements and the Xiamen Bureau Tongan Branch was in the process of approving the application, and there would be no actual obstacles and legal risks in granting the title certificates of the Xiamen Land and the Xiamen Plant situated thereon to Xiamen Grandsoo, and that Xiamen Grandsoo is permitted to continue to use the properties situated on the Xiamen Land without incurring any penalties pending grant of formal land use rights and building ownership certificates of the Xiamen Land and the Xiamen Plant. There can be no assurance that the land use rights certificate and the building ownership certificate of the Xiamen Land and Xiamen Plant will be granted as expected and in the event that the grant of the title certificates was refused or otherwise not granted, the use of the Xiamen Land and Xiamen Plant by the Group may incur liabilities for the Group and the Group may also be required to vacate from the same, resulting in the Group having to incur relocation costs and the operation of the Group may also be affected.

The Group's business is subject to operational risks

The occurrence of material operational problems at the Group's facilities, including, but not limited to the events described below, may materially reduce the productivity and profitability of the Group, during and after the period of such operational difficulties. The Group's operating results are dependent on the continued operation of the Group's production facilities and the ability to complete maintenance projects on schedule.

The Group's operations are subject to hazards inherent to manufacturing industries and the related storage and transportation of raw materials, products and wastes. These potential hazards include:

- explosions;
- fires;

- unexpected wear and tear or degradation;
- mechanical failure or misuse and power outage;
- unscheduled downtimes;
- performance below expected levels of output or efficiency;
- transportation interruptions;
- other industrial accidents;
- other environmental risks; and
- terrorist acts.

Some of these hazards may interrupt the Group's operations, may cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in legal and regulatory liabilities and the imposition of civil or criminal penalties. Furthermore, the Group may be subject to claims with respect to workplace exposure, workers' compensation and other matters. If the Group was to incur a significant liability for which it has not maintained sufficient insurance coverage, the Group might not be able to finance the amount of the uninsured liability on acceptable terms or at all, and might be obligated to divert a significant portion of cash flow from normal business operations. Consequently, the Group's business, prospects, financial condition and results of operations may be materially adversely affected.

The Directors confirm that to the best of their knowledge, the principal raw materials currently used and intended to be used (i.e polymer materials such as PVC, TPU, PVDF and PTFE) are not toxic or may not generate toxic by-products which are hazardous to human or may pollute the environment. The abovementioned raw materials are also not included in the currently effective List of Dangerous Goods (危險貨物品名表) (GB 12268-2005) issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and State Standardization Administration (中華人民共和國國家標準化委員會) on 26 July 2005 and effective on 1 November 2005.

Inability to secure additional funding in the future

The Group's plans may change due to changing circumstances, the development of its business, unforeseen contingencies or new opportunities. If there is a change of its plans, the Group may need to obtain additional external debt or equity financing. If the Group is unable to obtain such additional external financing, or is unable to obtain additional external financing on acceptable terms, the Group may not be able to expand its business and its operations may be adversely affected.

Natural disaster and adverse weather conditions

The business of the Group may be interrupted or otherwise affected for reasons beyond its control. Natural disasters, such as floods, drought and earthquakes could cause damage to the Group's production facilities. Furthermore, adverse weather conditions, such as snow and storm may cause difficulties in transportation of production materials and delivery of the Group's products to its customers, affecting the production of the Group. The occurrence of natural disasters that interrupt or affect the Group's business would adversely affect its operating results.

Future dividend policy

Dividends of about RMB29.1 million were declared for the year ended 31 December 2008. The dividends were paid out of the Group's operating cash flow. The foregoing dividend distributions are to the Shareholders of the subsidiaries prior to the Global Offering only. Historical dividend distributions are not indicative of the further dividend policy. The Directors expect that, in future, the declaration, payment and amount of dividends will be subject to the discretion of the Directors, and will depend upon, among others, the Group's results of operation, cash flow, financial condition, operating and capital requirements and other relevant factors.

The Company is a holding company incorporated under the laws of Cayman Islands, with limited liability. All of the Group's business operations are conducted through the Company's PRC operating subsidiaries. The Company's principal assets are the beneficial interests in Fujian Sijia and Xiamen Grandsoo. The Company's ability to pay dividends to the Shareholders is dependent upon the earnings of the operating subsidiaries of the Group and their distribution of funds to the Company, primarily in the form of dividends. The ability of the Group's subsidiaries to make distributions depends upon, among other things, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and the subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in the Group's subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the Company's subsidiaries' ability to make distributions to the Company. These restrictions could reduce the amount of distributions that the Company will receive from the Company's subsidiaries, which in turn would restrict the Company's ability to pay dividends on the Shares.

The Group may experience a shortage of labor or its labor costs may increase

There can be no assurance that the Group will not experience any shortage of labor or that the cost of labor in the PRC will not increase in the future. If the Group experiences a shortage of labor, the Group may not be able to maintain its production volume. If labor costs increase in the PRC, the Group's production costs will increase and it may not be able to pass these increases to the Group's customers due to competitive pricing pressures. Accordingly, if the Group experiences a shortage of labor or its labor costs increase, its business, prospects, financial condition and results of operations may be adversely affected.

RISKS RELATING TO THE INDUSTRY

Competition

The Group's business faces increasing competition. Generally, any increase in profitability in the industries of Reinforced Materials and End Products would be expected to attract more competition from both local and overseas producers who are also engaged in or interested in engaging in the production of similar products manufactured by the Group. Increase in competition may have adverse effect on the sales and selling price of the Group's products. As a result, profitability of the Group will be adversely affected.

Dependence on the growth of the various industries

The future growth of the Reinforced Materials market in which the Group operates is primarily driven by the continuous growth of, among others, the outdoor leisure and recreational sports, logistics, construction and packaging industries. Any significant slowdown in the growth of these industries could have a material adverse impact on the level of demand for the Group's products, which in turn, could adversely affect the Group's business and operating results.

Environmental protection regulations and requirements

The Group is required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC. During the Track Record Period, the Group has not been subject to any material claim for breach of environmental protection regulations. Should the Group's production facilities fail to meet applicable environmental protection requirements, the Group may be required to take remedial measures which may in turn have an adverse effect on the operations of the Group. In addition, there is no assurance that the environmental protection law will not be changed in the future. Should there be any change in the environmental protection requirements, the Group may incur additional cost in complying with the new law and regulations, which in turn adversely may affect the profitability of the Group.

Licences, certificates and permits required for the production of the Group's products in the PRC

The Group has obtained all necessary licenses, certificates and permits for the production and sale of the Group's present products. However, there is no assurance that the Group will be able to renew any of the existing licenses, certificates and permits required in connection with the Group's production and sale of its products upon their expiration. In addition, eligibility criteria for these licenses, certificates and permits may change from time to time and additional licenses, certificates and permits may be required and more stringent compliance standard may have to be observed. Introduction of any new laws and regulations or changes in the interpretation of any existing law and regulations may escalate the compliance cost for the Group, or prohibit the Group from, or result in the Group having to incur more costs to continue with, the operation of its business. Upon occurrence of such events, the Group's operations may have to be restricted and the Group's profitability would be adversely affected.

RISKS RELATING TO THE PRC

All of the Group's assets are located in the PRC and all of its turnovers are derived from its operations in the PRC. As a result, its operations and assets are subject to significant political, economic, legal and other uncertainties associated with doing business in the PRC, which are discussed in more detail below.

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government

The PRC's economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC are still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform.

The Group's operations and financial results could also be adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). The Group's operations and financial results could also be adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

The Group is not in a position to predict whether any abovementioned potential changes in China's political, economic and social conditions, as well as its laws, regulations and policies will have any material adverse effect on its current or future business, financial condition and results of operations.

The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to the Company

Although the Company is an exempted company incorporated with limited liability under the laws of the Cayman Islands, all of the Group's operations are conducted through the Company's subsidiaries which are organized under PRC laws in China. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations, which are relatively new and will continue to evolve, are subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference and in any case, such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections that are available to you and to the Company and can adversely affect the value of your investment.

Fluctuations in the exchange rates of the Renminbi

The exchange rates between the Renminbi and the Hong Kong dollar, the US dollar, the Euro and other foreign currencies is affected by, among other things, changes in the PRC's economic and political conditions. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within a regulated band each day. Under the current circumstances of global economic crisis, the exchange rates of the Renminbi against the US dollar, the Hong Kong dollar or other foreign currency may fluctuate in an unprecedented way.

Most of the Group's sales are denominated in Renminbi. Fluctuations in exchange rates, particularly among the US dollar, Renminbi and the Euro, may affect the Group's net profit margins and may result in fluctuations in foreign exchange and operating gains and losses. The Group has not used any other forward contracts, currency options or borrowings to hedge the Group's exposure to foreign currency exchange risk. The Group cannot predict the impact of future exchange rate fluctuations on the Group's results of operations and may incur net foreign currency losses in the future.

Furthermore, following the completion of the Global Offering, the Group expects a significant portion of its cash and cash equivalents to be denominated in currencies other than Renminbi. As the Group's functional currency is Renminbi, such foreign currency denominated cash and cash equivalents are exposed to fluctuations in the value of Renminbi against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the Renminbi against these foreign currencies may result in significant exchange losses.

PRC Government control over currency conversion may affect the value of your investment and limit the Group's ability to use its cash effectively

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distribution, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenditures. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. The Company relies on its PRC subsidiaries to pay dividends to the Company. If the PRC foreign exchange control system prevents the Group from obtaining sufficient foreign currency, including Hong Kong dollars, to satisfy its requirements, the Group may not be able to pay dividends in Hong Kong dollars to the Shareholders.

Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit the Group's ability to acquire PRC companies and adversely affect the implementation of the Group's acquisition strategy as well as its business and prospects

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Provisions") issued by six PRC ministries including the Ministry of Commerce, effective from 8 September 2006 and was amended on 22 June 2009, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities or assets of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign-invested enterprise, and thus change the domestic non-foreign-invested enterprise into a foreign-invested enterprise upon completion of such an acquisition or investment. The M&A Provisions stipulate that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) issued by the NDRC and the Ministry of Commerce jointly, which broadly categorized different industries into Encouraged, Restricted and Prohibited categories and subject to update from time to time. The M&A Provisions also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Provisions will be interpreted or implemented. If the Group decides to acquire a PRC company in the future, the Group cannot assure you that the Group or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict the Group's ability to implement its expansion and acquisition strategy and could materially and adversely affect its future growth.

The Company may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on the Group's worldwide income

Under the Enterprise Income Tax Law of the PRC (中國人民共和國企業所得稅法) ("New 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" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations of the New Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of the Company's management is currently based in China, and may remain in China. Therefore, the Company may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the New Tax Law and the implementation regulations.

Dividends payable from the Company's PRC subsidiaries to it and dividends payable by the Company to its foreign investors and gain on the sale of the Shares may become subject to withholding taxes under the PRC tax laws

Under the New Tax Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. Similarly, any gain realized on the transfer of Shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. The investors who are established in Hong Kong and directly holds at least 25% shareholding of a PRC enterprise and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%. As dividends from the PRC subsidiaries will be paid to the Company through Hong Kong Sijia, the Group's only Hong Kong subsidiary, those dividends will be subject to a withholding tax at the rate of 5%.

If the Company is considered a PRC resident enterprise, it is unclear whether the dividends the Company pays with respect to the Shares, or the gain investors and Shareholders may realize from the transfer of the Shares, would be treated as income derived from sources within China and be subject to PRC tax. If the Company is required under the New Tax Law to withhold PRC income tax on dividends payable to its foreign shareholders, or if investors and Shareholders are required to pay PRC income tax on the transfer of the Shares, the value of your investment in the Group's Shares may be materially and adversely affected.

Acts of God, acts of war and other disasters could affect the Group's business

An outbreak of avian flu, severe acute respiratory syndrome ("SARS") or any epidemic, an increase in the severity of H1N1 flu (the swine flu) or the occurrence of any natural disaster, which may lead to serious disruption to the public in the PRC, may have a material and adverse effect on the Group's business, results of operations and financial performance. Acts of war and terrorist attacks may cause damage or disruption to the Group, its employees, its markets, its customers and suppliers, any of which could materially impact the sale of the Group's products, the procurement of raw materials, overall results of operations and financial condition. Overall, natural disasters, acts of war and terrorist attacks may cause the Group's business to suffer in ways that the Company cannot predict.

Investors and Shareholders may experience difficulties in effecting service of legal process and enforcing judgments against the Company and its management

The majority of the Company's Directors are residents of the PRC, and substantially all of the Group's assets and the assets of such Directors are located within the PRC. It may therefore be difficult for investors to effect service of legal process upon the Company or the Directors in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for Shareholders to enforce against the Company or the Directors in the PRC any judgments obtained from non-PRC courts.

The recent enacted PRC Employment Contract Law may increase the Group's labour costs

The PRC Employment Contract Law became effective on 1 January 2008. Compliance with the requirements under this recent law, in particular, the requirements of severance payment and non-fixed term employment contracts, may increase the Group's labour costs.

Pursuant to the PRC Employment Contract Law, the Company's PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have worked for the Group for more than 10 years or for whom a fixed term employment contract has been concluded for two consecutive terms. The Group may not be able to efficiently terminate non-fixed term employment contracts under the new PRC Employment Contract Law without cause. The Group is also required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances where the employee's monthly wage is three times or more than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Employment Contract Law. Fines may be imposed for any material breach of the PRC Employment Contract Law.

As a result of the requirements imposed by the PRC Employment Contract Law, the Group's historical labour costs may not be indicative of its labour costs going forward. Compliance with the relevant laws and regulations may substantially increase its operating costs, thus may have a material adverse effect on the Group's results of operations.

The Group confirmed, and the local government authorities supervising labor and social welfare certified that, since their establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to labor and social welfare, including the PRC Employment Contract Law, without any penalties due to violation of the relevant laws and regulations relating to labor and social welfare.

RISKS RELATING TO OWNERSHIP OF SHARES

There has been no prior public market for the Shares

Prior to the Global Offering, there has been no public market for the Shares. Whilst the Company has applied to have the Shares listed on the Hong Kong Stock Exchange, there can be no assurance that an active public market for the Shares will develop. The Offer Price of the Offer Shares that has been determined by agreement amongst the Company and the Sole Bookrunner, (for themselves and for and on behalf of the Underwriters) may not be indicative of prices that will prevail in the trading market.

The trading price of the Shares may be volatile which could result in substantial losses for investors purchasing Offer Shares in the Global Offering

Following the Global Offering, the market price of the Shares may fluctuate substantially as a result of, amongst other things, the following factors, some of which are beyond the Company's control:

- variations of the results of its operations;
- changes in securities analysts' estimates of the Group's financial performance;
- investors' perceptions of the Group and the general investment environment;
- changes in policies and developments related to the industry in which the Group operates;
- changes in pricing policies adopted by the Group or its competitors;
- announcements of significant acquisition, strategic alliance or joint venture;
- fluctuations in stock market prices and trading volume;
- involvement in litigation;
- recruitment or departure of key personnel; and
- general economic and stock market conditions.

Moreover, in recent years, stock markets in general, and the shares of companies with substantial operations in China in particular, have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

Future sale of the Shares or major divestment of Shares by any major Shareholder could adversely affect the Share price

The sale of a significant number of Shares in the public market after the Global Offering, or the perception that these sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the paragraph headed "Undertakings in Favour of the Stock Exchange Pursuant to the Listing Rules" under the section headed "Underwriting" in this prospectus, there are no restrictions imposed on the substantial shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the major shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for the Company to issue new Shares in the future at a time and price the Company deems appropriate, thereby limiting its ability to raise capital.

Investors in the Global Offering may experience dilution if the Company issues additional Shares in the future

In connection with its future business expansion plans, the Company may consider offering and issuing additional Shares in the future. Investors of the Group's Shares may experience dilution in the net tangible asset book value per Share of their Shares if the Company issues additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

The interests of the Controlling Shareholders may not always coincide with the Company's interests and those of other Shareholders

Upon the completion of the Global Offering, it is anticipated that the Controlling Shareholders will own, in the aggregate, about 63.8% of the Shares, assuming the Over-allotment Option is not exercised, and about 61.5%, if the Over-allotment Option is exercised in full. Therefore, the Controlling Shareholders will be in a position to control matters requiring approval by Shareholders and thereby exercise significant influence over the operations and business strategy of the Company, and may have the ability to require the Company to effect corporate transactions irrespective of the desires of other Shareholders. The interests of the Controlling Shareholders may not always coincide with the best interests of the Company or other Shareholders. If the interests of the Controlling Shareholders conflict with the interests of the Company or other Shareholders, or if the Controlling Shareholders choose to cause the business to pursue strategic objectives that conflict with the interests of the Company or other Shareholders, the Company or those other Shareholders may be disadvantaged as a result.

RISKS RELATING TO THE GLOBAL OFFERING

Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the industry in which the Group operates within the PRC contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy and the industry in which the Group operates within the PRC have been derived from various official government publications. However, there can be no assurance as to the quality or reliability of such source materials. They have not been prepared or independently verified by the Company, the underwriters or any of its or their respective affiliates or advisors and, therefore, the Company makes no representation as to the accuracy of such facts, forecasts 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 to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts, forecasts or statistics.

No reliance should be placed on any information not contained in this prospectus, includings, in particular, any financial projections, valuations or other forward-looking statements contained in press articles or other media regarding the Group and the Global Offering and not contained in this prospectus

Prior to the publication of this prospectus, there has been certain press and media coverage regarding the Group and the Global Offering, including an article on the Hong Kong Economic Times on 6 January 2010, which contained certain information relating to the Group and the Global Offering that is not contained in this prospectus. The Directors wish to emphasize to potential investors that neither the Directors, the Group, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any other parties involved in the Global Offering nor the directors, officers, employees, advisers, agents or representatives of any of them (collectively, the "Professional Parties") has authorized the disclosure of any such information to the press, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work was prepared by, sourced from, or authorized by the Directors or any of the Professional Parties. Neither the Directors, the Group nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in or is inconsistent or conflicts with the information contained in this prospectus, the Directors expressly disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, investors should rely only on the information contained in this prospectus and the Application Forms, and no reliance should be placed on any information not contained in this prospectus in making your investment decision on whether to subscribe to the Offer Shares.