You should carefully consider all the information in this prospectus, including the risks and uncertainties described below and the other information included in this prospectus, including our financial statements and the related notes, prior to investing in our Shares. You should pay particular attention to the risk factors, which may not be typically associated with investing in equity securities of companies from other jurisdictions. Our business, financial condition, results of operations and cash flow could be materially and adversely affected by any of these risks. The trading price of our Shares could decrease due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Prices and availability of waste paper and virgin pulp can be volatile and price increases would lead to higher production costs, which may have a material and adverse effect on our financial condition and results of operations.

We use substantial amounts of recovered paper that are gathered from waste paper collected through our waste management and confidential materials destruction services network in Hong Kong and Guangdong province as well as from independent third party suppliers, and to a lesser extent, virgin pulp, in our operations.

During the years ended March 31, 2007, 2008 and 2009, and the six months ended September 30, 2009, the purchase cost of waste paper accounted for 66.3%, 59.4%, 62.2% and 67.3% of our total cost of sales, respectively. The average waste paper purchase cost per tonne during the years ended March 31, 2007, 2008 and 2009, and the six months ended September 30, 2009, was HK$998, HK$1,200, HK$1,197 and HK$1,042, respectively. The availability and price of waste paper depends on a number of factors which are outside of our control, including the supply of and demand for paper products (whether recycled or not), the price of virgin pulp, general economic conditions, environmental and conservation regulations, import and export regulations and other factors. Moreover, we may not be able to pass on some or all of our waste paper cost increases to our customers. As a result, any significant increase in the price of waste paper which we are unable to pass on may have a material and adverse effect on our business, financial condition and results of operations. Furthermore, the lack of availability of waste paper or our inability to source adequate supplies of waste paper could similarly have a material and adverse effect on our business, financial condition and results of operations.

During the years ended March 31, 2007, 2008, and 2009, and the six months ended September 30, 2009, the purchase cost of pulp accounted for 8.5%, 8.0%, 5.0% and 5.6% of our total cost of sales, respectively. The average pulp purchase cost per tonne during the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009 was HK$4,343, HK$4,882, HK$4,754 and HK$4,389, respectively. The availability and price of virgin pulp depends on a number of factors beyond our control, including general economic conditions, environmental and conservation regulations, import and export regulations and other factors. The market for virgin pulp is highly competitive. Any increase in worldwide demand for virgin pulp or any decrease in the supply of virgin pulp may lead to an increase in the prices we pay for virgin pulp. As a result of various factors, virgin pulp prices can be volatile and have fluctuated in recent years. As such, any significant increase in the price of virgin pulp which we are unable to pass on may have an adverse effect on our profitability.

All of our waste paper packaging facilities and our piers in Hong Kong are leased. If we cannot continue to use these facilities or renew these leases on commercially reasonable terms or at all, or if we are in breach of these leases, part of our operations may be seriously disrupted or we may be subject to claims for damages for breach of these leases and our financial condition and results of operations may be materially and adversely affected.

Our waste paper packaging facilities in Hong Kong collected and re-transited a significant majority of all of our waste paper supply in the year ended March 31, 2009. Moreover, all of our waste paper supply from Hong Kong is shipped to our production base in Huizhou, the PRC through our piers located in the Kwun Tong and Chai Wan districts in Hong Kong. We depend on these facilities to help us gather, package and ship waste paper from suppliers in Hong Kong to our production base in Huizhou as well as directly to certain of our paper manufacturing customers in the PRC. All of our waste paper packaging facilities and piers are leased. Our four packaging facilities are in the following districts in Hong Kong: Sung Wong Toi, Tai Po and Fanling. Of these facilities, the lease at Sung Wong Toi, which is leased as a waste material collection center, is currently scheduled to expire in May 2010. We cannot assure you that we will be able to successfully renew our leases when they expire. Although we believe we have sufficient capacity at our other packaging facilities to absorb the temporary loss of use and relocation of any one of these four packaging facilities, our operations may nonetheless be temporarily disrupted and we may incur additional expenses due to any relocation. Furthermore, we cannot assure you that we will be able to successfully find alternative sites to locate our packaging facilities in Hong Kong on commercially reasonable terms or at all. Moreover, if our landlord for the pier in Kwun Tong (the lease of which expires in July 2011) or the pier in Chai Wan (the lease of which expires in July 2011) becomes unwilling or unable to renew our lease, our ability to ship waste paper and our production may be severely disrupted. Furthermore, if we are found to be in breach of the lease terms of any of our packaging facilities, we may face potential claims against us for damages for breach of the lease terms and in addition, we may also face potential eviction from our packaging facilities. If any of the above events occur, our waste paper supply, including our production and sales, may be seriously disrupted, and our business, financial condition and results of operations may be materially and adversely affected.

We have not obtained land use right certificates for certain parcels of land within our Huizhou production base. In addition, we lack certain permits and licenses for such parcels of land, which could subject us to penalties and adversely affect our rights to use such properties.

Although we have been using a total site area of 121,823 m² in Huizhou, the PRC, as our production base, we have not yet obtained the land use right certificates to certain portions of the land on which our production base is located. As of the Latest Practicable Date, we did not possess the land use right certificates in respect of four parcels of land occupied by our Huizhou production base with a total site area of 57,042 m² (the ***Land Parcels***).

We have obtained confirmation from Boluo Land Resources Bureau (博羅縣國土資源局) that FWHZ has succeeded in the bid invitation auction or quotation procedure (the ***BAQ procedure***) of the Land Parcels and Resources Department of Guangdong Province for the Land Parcels. We have settled the sum of RMB13,520,000, being the land premium payable for the land use right certificates of the Land Parcels. Our PRC legal adviser has advised us that, with the above-mentioned confirmations and settlement of the land premium payable, there will be no further legal impediment for FWHZ to obtain the land use right certificates for the Land Parcels.

Moreover, we have not obtained the relevant permits and licenses for the planning, construction, fire-fighting and completion inspection of the buildings and construction in progress on the Land Parcels as we have yet to obtain the land use right certificates. As a result, we may be subject to a maximum legal penalty of approximately RMB4,174,801 (equivalent to approximately HK$4,742,574) and ordered by the relevant government authorities to rectify the non-compliance relating to the construction and existing use of the buildings and structures on the Land Parcels. The relevant government authorities may require us to have such buildings and structures, which occupy 1,292 m^2 of the Land Parcels, dismantled if they are not satisfied that such non-compliance has been rectified. In this connection we have been advised by our PRC legal adviser that as FWHZ has succeeded in the BAQ procedure, if FWHZ enters into the land grant contract with the Land Administration in Boluo County in respect of the Land Parcels, there will be no further legal impediment for us to obtain the relevant permits and licenses and the risk that we will have to dismantle such buildings and structures is low. Each of the Controlling Shareholders has agreed to indemnify the Group against such potential legal penalties and related costs.

A material disruption to our operations could materially and adversely affect our business, financial condition and results of operations.

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions to our operations which could in turn materially and adversely affect our business, financial condition and results of operations. These uncertainties include industrial accidents, equipment failures or other operational problems, natural disasters, strikes or other labor-related difficulties and disruptions of public infrastructure, such as waterways, roads, ports and pipelines. As our production operations are concentrated at our production base in Huizhou, the PRC and our three packaging facilities along with our two piers and our secured destruction facilities are located in Hong Kong, all of which are in the Pearl River Delta, we believe that our operations may be more severely affected by disruptions affecting these locations than businesses that have operations which are spread over many different regions. In addition, we rely heavily on the Dongjiang river to transport waste paper, recovered paper and other paper products between Hong Kong and Huizhou and our customers in the Pearl River Delta region. Adverse climate conditions such as heavy or sustained rainfall, flooding or droughts affecting our use of the waterways may also adversely affect our normal business operations. Furthermore, our production operations require significant and stable supplies of water, electricity and steam, the use of which will further increase substantially as we expand our production capacity. Any of the events referred to above as well as power interruptions or rationing could disrupt or restrict the supply of these utilities. Any such disruption could limit or delay our production, prevent us from meeting our customer orders, increase our costs of production or require us to make unplanned capital expenditures, any of which could materially and adversely affect our business, financial condition and results of operations.

Any leakage of our clients' information from our confidential materials destruction services may subject us to liability and/or reputational harm.

Our confidential materials destruction services involve the handling and destruction of documents with confidential and sensitive information from our clients, such as banks, governmental bodies, printers, financial and other professional institutions. Although we have taken measures to ensure that our clients' information is kept confidential and appropriately destroyed and we have provided such services for over 20 years in Hong Kong without any significant incident from the leakage of confidential information, there are inherent risks in the manual handling and management of confidential information. We cannot assure you that confidential and sensitive client information will not be mishandled or leaked as a result of us providing confidential materials destruction services and/or otherwise misused by unauthorized persons that may subject us to legal or other liability as well as reputational harm that may materially and adversely affect our business, financial condition and results of operations.

Publicity regarding our Company or our products may not be accurate or complete and any negative publicity about our Company, whether or not accurate, may adversely affect our brands and reputation.

We are subject to general media coverage in Hong Kong and elsewhere regarding our Company and our products, like many other well-known companies, over which we have no control. Our tissue paper products have been subject to negative publicity in Hong Kong. For example, the Consumer Council in Hong Kong previously published in its magazine that the bacterial count for certain of our tissue paper products they tested in February 2009 had exceeded the quality standard GB 20810-2006 of 600 colony forming units per gram. See the section headed "Our Business — Quality Control" in this prospectus for further details. We have investigated this potential issue by commissioning two independent testing agencies to test our tissue paper products, from which the test results indicate that our tissue paper products were within the industry standard. As we were not involved in the Consumer Council's testing, nor were we privy to the testing and environmental conditions to which the products tested were subject, we are not able to comment on nor do we accept any responsibility for its publication about us. Moreover, there has been negative media coverage about our Group supplying tissue paper products in weight that was less than what was contractually agreed with a certain customer. We cannot assure you that negative publicity regarding our Company or our products will not appear in the future that may damage our brand and reputation and lead to a lack of consumer confidence in our products, decreased orders for our products, non-renewal of supply contracts with existing customers or other adverse effects, any of which may materially and adversely affect our business, financial condition and results of operations.

The market for tissue paper products is highly competitive and our business strategy involves promoting the increased use of recycled tissue paper in the PRC and overseas, which may not materialize.

We produce tissue, bathroom roll tissue and other personal paper products mainly from waste paper and, to a lesser extent, virgin pulp. The market for tissue paper products is highly competitive in the PRC, Hong Kong and internationally. Large tissue paper manufacturers such as Vinda International, Guangdong Zhongshun Paper Industry and Hengan International currently dominate the tissue paper market in the PRC, while internationally, tissue paper manufacturers such as Kimberly Clark, SCA and Georgia-Pacific have a substantial share of worldwide sales. Nonetheless, according to China Paper Association, we are currently the largest producer of recycled tissue paper products in terms of production and sales volume in the PRC for 2008, primarily due to our established position, first-mover advantage and advantage gained from having a direct and constant supply of waste paper at competitive prices for our production process. However, we cannot assure you that our larger competitors will not invest and successfully establish themselves in the recycled tissue paper products segment.

Under the PRC's foreign investment rules, foreign investment in paper manufacturing is permitted. A number of foreign companies have established paper manufacturing enterprises in China, and others may do so in the future, in which case we may face increasing competition from such enterprises, which may have greater access to financial resources, higher levels of vertical integration and longer operating histories.

If we are unable to maintain our operating efficiency and economies of scale, we may not be able to compete effectively. In addition, as part of the PRC's obligations under its accession to the World Trade Organization, the PRC has reduced import tariffs on certain paper products. As a result, our products may face more competition from imported products and we cannot assure you that our market share and thereby our financial condition and results of operations will not be materially and adversely affected.

Our business strategy and growth is dependent, in part, on the continuing growth and demand for recycled paper products both internationally and in the PRC. In the PRC, consumers generally prefer virgin pulp-based tissue paper products and, accordingly, our tissue paper products currently compete mainly on the basis of price, image, product quality, consistency, performance and distribution. Internationally, where there is greater consciousness and demand for recycled paper products, we also strive to promote and market our recycled paper products as an environmentally friendly alternative to virgin pulp-based paper products. However, we cannot assure you that internationally consumers will continue to demand recycled paper products nor that PRC consumers will shift their preferences in favor of recycled paper products. If there is a reduction in consumer demand for recycled paper products, or if we are unable to anticipate and respond to changing consumer preferences in a timely manner, we may not be able to compete effectively.

We rely on constant and reliable supplies of water, electricity, steam and fuel to support our operations as well as permits that allow us to import waste paper into the PRC for the production of recycled tissue paper products and resale of recovered paper products to our customers.

Our production of tissue paper products requires significant and constant supplies of electricity, water, steam and fuel. We rely mainly on the local utility provider for our electricity needs. We also generate our own electricity through our own power generators and we generate all of our own steam, both of which rely on constant and reliable supplies of fuel. We have permits that allow us to rely on the Dongjiang river for our water supply, and we use our own water filtration plant to help ensure a constant and clean supply of water for our production process. We cannot assure you that our supply and use of water will be constant and reliable, as our Water-drawing Permit (取水許可證) is subject to government restrictions or control upon the occurrence of certain events, such as a drought or an environmental hazard, under relevant PRC regulations. Our water filtration plant also serves to help ensure that excess water is disposed of in accordance with regulations. However, our reliance on such supplies will further increase as we expand our production capacity. Any disruption to or shortage of our supplies of water, electricity, steam or fuel for any reason, including the loss of our Water-drawing Permit, a shutdown of our power and steam facilities or an increase in electricity prices, may adversely affect our production flow or increase our electricity costs, which may either prevent us from meeting customer orders and/or increase our costs of production, thereby materially and adversely affecting our business, financial condition and results of operations.

Our production process also relies on permits granted by the PRC regulatory authorities that allow us to import waste paper into our Huizhou production base for the production of recycled tissue paper products. FWHZ has obtained the Import License for Automatic-licensed Import of Solid Wastes Being Used As Raw Materials (自動許可進口類可用作原料的固體廢物進口許可證) issued by the PRC Ministry of Environmental Protection, which is due to expire on December 31, 2010, and the Registration Certification for Domestic Consignee of Imported Scrap Materials (進口廢物原料國內收貨人登記證書)

issued by the PRC General Administration of Quality Supervision, Inspection and Quarantine, which is due to expire on August 31, 2012. Each of Fook Woo Waste Paper, Golddoor, Fook Woo Environmental and CMDS has also obtained the Registration Certificate for Overseas Supplier Enterprise of Imported Scrap Materials (進口廢物原料境外供貨企業註冊證書) issued by the PRC General Administration of Quality Supervision, Inspection and Quarantine, all of which are due to expire on December 31, 2010. Any loss of such permits, including our inability to renew such permits, for any reason will severely disrupt our ability to produce our products, which may materially and adversely affect our business, financial condition and results of operations. Furthermore, as transportation cost is an important part of our total cost of sales, any significant increase in fuel prices may have an adverse effect on our business and profitability.

The success of our business is dependent on the continued services of certain key senior executives and our ability to attract and retain talented personnel.

The success of our business is dependent on the continued services of certain key senior executives and other key employees and our ability to attract and retain talented personnel. In particular, we rely on the expertise, experience and customer relationships of our founder, Chairman and Chief Executive Officer, Mr. Leung Kai Kuen, and our Development Manager and Head of Waste Paper Business Unit, Mr. Leung Tat Piu, both of whom play key roles in our operations. In particular, Mr. Leung Kai Kuen has over 40 years of experience in the waste paper management industry and over 10 years of experience in the recycled paper manufacturing industry, and his expertise in business strategies, business relationships in the industry, product design and development, business operations, sales and marketing, regulatory compliance and relationships with our customers and suppliers are crucial to us. We do not maintain key person insurance for any of our key personnel. If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and materially and adversely affect our business, results of operations and future prospects. Moreover, competition for qualified personnel in the PRC may drive up labor costs, which would in turn increase our costs of operations and affect our profitability.

We may experience difficulties in managing our growth and our expansion plans.

We have grown rapidly over the past few years. During the three year period ended March 31, 2009, our revenue grew at a CAGR of 7.1%. Moreover, we have increased our annual production capacity for tissue paper products from 59,070 tonnes as of March 31, 2007 to an anticipated capacity of 91,410 tonnes as of March 31, 2010 through our investment in new equipment and the opening of new production lines for the manufacture of tissue paper products.

We plan to expand our distribution network throughout China and further increase our production capacity. Our expansion plans are subject to a number of financial, operational and market risks that could significantly alter our ability to meet our expansion goals, cause delay in implementation of the expansion plans or lead to an increase in costs. These risks include the inability to procure or delays in receiving the equipment and technology necessary for expansion, inability to recruit or retain suitable talented personnel, delays or complications in the design and roll-out of new technologies, increased costs due to compliance with environmental or other regulations, delays in obtaining or the inability to obtain government approvals, increases in financing costs or the inability to raise requisite funds, economic downturns or increased competition. For example, the recent expansion of our production capacity during the six months ended September 30, 2009 will require us to build a larger sales network, increase customer service and maintenance requirements, and correspondingly increase or expand other supporting infrastructure and staff requirements. If we fail to effectively manage these risks, our business operations could be materially and adversely affected and our growth and expansion plans may need to be altered, which may materially and adversely affect our results of operations and financial position.

We may not have adequate capital resources to fund our substantial capital expenditures and expansion plans.

Our operations are capital intensive in nature and we regularly incur capital expenditures to expand our operations, acquire and maintain our equipment, increase our operating efficiency and comply with environmental laws and regulations. Our total capital expenditure was approximately HK$205.5 million in the year ended March 31, 2009 and HK$459.5 million for the six months ended September 30, 2009. For the six months from October 1, 2009 to March 31, 2010, we plan to spend approximately HK$190.0 million on capital expenditures. We also expect to spend approximately HK$555.0 million in the financial year ending March 31, 2011 on capital expenditures, including the purchase of new production equipment to expand our production capacity. Depending on market conditions and opportunities, we intend to further expand our production capacity in the future. We actively explore opportunities to expand our product lines to allow us to offer a broader range of complementary products to our customers. However, if we cannot obtain additional funding and financing when required, we may not be able to fund our capital expenditure and expansion plans, including the continuing upgrade or purchase of property, plant and equipment, required to implement our business strategy. Moreover, if we are unable to meet our working capital requirements in the future, we may need to adopt alternative strategies that may include reducing production or delaying capital expenditures, selling assets or seeking equity capital. Any of the above could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business.

We rely on sales to a few major customers.

For the years ended March 31, 2007, 2008 and 2009 and for the six months ended September 30, 2009, our top five largest customers, who are independent of the Group, accounted for approximately 25.4%, 29.9%, 34.7% and 27.9% of our total revenue, respectively. We cannot assure you that our major customers will continue their business dealings with us or that the income generated from our dealings with them will increase or be maintained in the future. Any cessation or substantial reduction in the volume of business with any of the major customers of the Group could adversely affect our business, financial condition and results of operations.

We generally do not enter into long-term contracts with our customers, which exposes us to uncertainty and potential volatility with respect to our revenue from period to period.

We usually only enter into purchase orders with our customers without any type of on-going contract. Consequently, most of our customers may cancel, reduce or defer purchase orders at will. Accordingly, the volume of our customers' purchase orders and our product mix may vary significantly from period to period and it is difficult for us to forecast future order quantities. We cannot assure you that any of our customers will continue to place purchase orders with us in the future at the same level as in the current or prior periods, or at all. Furthermore, the actual volume of our customers' purchase orders may be inconsistent with our expectations at the time that we plan our expenditures. As a result, our business, financial condition and results of operations may vary from period to period and may fluctuate significantly in the future.

Our Hong Kong subsidiaries may be subject to additional tax liabilities.

In April 2009, certain of our Hong Kong subsidiaries received notices of additional tax assessment dated March 30, 2009 from the Hong Kong Inland Revenue Department (the ***IRD***) for the 2002/2003 tax year, demanding additional taxes in the aggregate amount of approximately HK$3.8 million. The HK$3.8 million in additional taxes were not accrued for but treated as a contingent liability in our audited combined financial information for the six months ended September 30, 2009 (see Note 32 to the Accountant's Report set out in Appendix I to this prospectus, which forms part of the combined financial information on which the Reporting Accountant has opined) as we are of the view that there is no reliable basis for estimating, and making provision for, such potential liability. In addition, on March 15, 2010, certain of our Hong Kong subsidiaries received notices of additional tax assessment from the IRD for the 2003/2004 tax year, in which the tax assessment notices demanded additional profit tax payments in the aggregate amount of HK$7.7 million. We have treated the HK$7.7 million as a contingent liability and disclosed this contingent liability as a subsequent event in our audited combined financial information for the six months ended September 30, 2009 as we believe that there is no reliable basis for estimating, and making provision for, such potential liability.

We believe that the additional assessments were and will be of a protective nature to keep the 2002/2003 and 2003/2004 tax years technically open in view of the fact that the 2002/2003 and 2003/2004 tax years were and would be statutorily time-barred after March 31, 2009 and March 31, 2010 respectively. The basis of the additional assessments adopted by the IRD is currently unclear. As such, the actual amounts of additional taxes for which we may be liable, if any, could be higher or lower than the amounts indicated in the assessment notices. The IRD is in the process of reviewing certain of the subsidiaries' books and records to identify potential issues for undertaking further work to determine whether we are indeed liable for the additional taxes and the actual amount of tax undercharged, if any (the ***IRD Review Process***). Although we have filed (and expect to file with respect to the assessments for the 2003/2004 tax year) objections with the IRD against these additional assessments, we cannot assure you that we will not incur additional tax liabilities from the IRD review, including consequential interest charges or penalties, should the IRD rule unfavorably against our objections. In addition, before the IRD Review Process is completed and the additional tax liabilities, if any, are settled, the IRD, for the purpose of protecting government revenue, may issue additional assessments for the 2004/2005 tax year and/or any subsequent tax year(s) before the relevant assessment year becomes statutorily time-barred. As a result, our subsidiaries may be subject to additional tax liabilities and there is no assurance that such liabilities will not individually or in the aggregate materially affect our results of operations or financial position. The Controlling Shareholders have entered into the Deed of Indemnity with the Group under which they have agreed to indemnify on a joint and several basis each member of the Group in respect of any tax assessment for the 2002/2003 tax year and any other notices of additional assessment that may be received by any member of the Group for and including the 2003/2004 tax year through the 2009/2010 tax year. For details of the Deed of Indemnity, please refer to the section headed "Statutory and General Information — Other Information — Indemnity" in Appendix VII to this prospectus.

We may not be able to adequately protect our intellectual property rights and industrial know-how, which could weaken our competitive position and adversely affect our operations.

We have certain trademarks relating to our branded products registered in the PRC, details of which are set out in the section headed "Statutory and General Information — Further Information About Our

Business — Intellectual Property Rights of Our Group" in Appendix VII to this prospectus. Infringement of intellectual property rights by legal entities or individuals occurs frequently in the PRC. We cannot assure you that we can prevent or deter infringement or other misappropriation of our intellectual property rights. We may not be able to detect unauthorized use or take appropriate and timely steps to enforce our intellectual property rights. Any significant infringement of our confidential information and the proprietary technologies and processes used in our business could weaken our competitive position and have an adverse effect on our operations.

In addition, claims may be brought against us by, or we may assert claims against, other parties involving disputes arising from intellectual property rights. If we are unable to resolve such claims through negotiations, we may face legal proceedings which may be costly, divert the efforts of our management and technical personnel away from our business and thereby adversely affect our business, financial condition and results of operations. Furthermore, if we are not successful in these proceedings, we could lose our proprietary rights to our intellectual property.

We may be subject to certain risks related to our business and operations, such as product liability claims, or other risks which are beyond our control, and our insurance coverage may not sufficiently cover such risks.

We face an inherent risk of exposure to product liability claims for alleged product defects or for harm or injury allegedly caused by our products. Product liability claims could be expensive to defend and may result in punitive damages awarded against us. Any liability and possible claims could cause reputational harm and have a material and adverse effect on our business, financial condition and results of operations.

Natural disasters, acts of war, acts of terrorism, political unrest and epidemics, or other events which are beyond our control, may adversely affect our business, financial condition and results of operations. We may bear the risk of loss of raw materials or finished products in transit. We may also face the risk of loss or damage to our properties, machinery and inventory due to the occurrence of any of the above events. Furthermore, we are subject to hazards and risks that are normally associated with our operations. Our substantial production activities are conducted at our production base located in Huizhou, the PRC. Our products are produced, packaged and stored at the same location. Our operations are subject to interruption or damage by fire, power failure and power shortages, hardware and software failure, floods, natural disasters and other events beyond our control at our production facility. As a result, any interruption could seriously compromise our production activities, and our business, financial condition and results of operations may be materially and adversely affected. We cannot assure you that our insurance policies are sufficient to cover all the risks associated with our operations. In particular, we are not required under PRC law to maintain, and we do not maintain, any product liability, third party liability or business interruption insurance in the PRC. Losses incurred for liabilities not covered by our insurance policies may have a material and adverse effect on our business, financial condition and results of operations.

The preferential tax treatment which our wholly-owned operating subsidiary in the PRC, FWHZ, currently enjoys may be changed or discontinued.

In accordance with the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the ***Income Tax Law***) and its related rules, foreign-invested enterprises (***FIE***) which are manufacturers with an operational period of more than ten years, are eligible to apply for a two-year exemption and a further three-year 50% reduction of income tax (the ***Tax Holiday***), starting from the year when such FIE begins to make a taxable profit after deducting any tax losses that may be carried over from previous years. In addition, according to the tax regulations promulgated by the Guangdong provincial government on April 24, 1992, FIEs located in Guangdong are exempt from the local income tax during the Tax Holiday. Substantially all our income from the PRC is currently derived from FWHZ (that is, our production base in Huizhou, the PRC) which qualifies as a FIE. The income tax exemption enjoyed by FWHZ expired in the 2007 calendar year and the Tax Holiday will end in the 2010 calendar year. Starting in the 2011 calendar year, the corporate income tax rate of FWHZ is expected to change from the existing rate of 12.5% to the standard corporate income tax rate of 25%, which in turn could adversely affect our after tax profit.

On January 1, 2008, the PRC Enterprise Income Tax Law of the PRC (the ***PRC Enterprise Income Tax Law***) became effective. According to the PRC Enterprise Income Tax Law, the statutory income tax rate for both domestic enterprises and FIEs became the same, and the statutory corporate income tax rate in the PRC was reduced from 33% to 25%, but enterprises enjoying preferential tax treatment which extended for a fixed term prior to January 1, 2008 will still be entitled to this treatment until the fixed term expires.

Our effective tax rates for the years ended March 31, 2007, 2008 and 2009, and the six months ended September 30, 2009 were 0.8%, 3.9%, 13.8% and 14.2%, respectively. We cannot assure you that the PRC policies regarding FWHZ's preferential tax treatment will not change and that the current Tax Holiday enjoyed by FWHZ will not be cancelled. If such changes or cancellation occurs, the resulting increase in our tax liability may have a material and adverse effect on our financial condition and results of operations.

Any prolonged economic downturn could materially and adversely affect our business, financial condition and results of operations.

Certain major global economies, such as the United States, continue to experience an economic slowdown in growth due to the global financial crisis which started in late 2007. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the United States mortgage market and a declining residential real estate market in the United States and elsewhere have continued to contribute to unprecedented levels of market volatility and diminished expectations for the global economy. These factors, combined with volatile oil prices, declining business activity and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possibly prolonged global recession. Some economists continue to predict a severe and prolonged global economic downturn, especially in the United States, due to a permanent shift towards lower consumer spending. As our recovered paper and recycled greyboard sales are highly dependent on the level of economic activity and exports from the PRC, any continued economic downturn may adversely affect our business. For example, in FY2009 as compared to FY2008, and for the six months ended September 30, 2009 as compared to the corresponding period in 2008, our total revenue decreased by 6.8% and 13.8%, respectively, primarily due to a decrease in recovered paper and recycled greyboard sales, reflecting lower demand for our products due to the economic downturn. Any prolonged economic downturn or relapse of a global recession could further decrease demand for our products, thereby materially and adversely affecting our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY

Increasingly strict PRC regulations relating to recycled paper products could significantly increase our operating costs or lead to fines or other penalties that may materially and adversely affect our business, financial condition and results of operations.

Our products are subject to various PRC laws and regulations relating to recycled paper products industry. In recent years, the PRC government has enhanced its regulation relating to recycled paper products by enhancing various product quality, safety and environmental standards applicable to the industry. See the section headed "Regulation" in this prospectus. Compliance with such regulations may require capital investment to carry out necessary improvements to meet such standards. If the standards, or interpretation or enforcement of such standards shall become more stringent in the future, our operating costs may increase significantly. We are also subject to potential fines and penalties if we are found by the PRC government to be non-compliant with any of these standards. For further details, please see the risk factors headed "— Failure to comply with the relevant quality and safety standards and labor laws of the PRC could lead to fines, law suits or other penalties that may materially and adversely affect our business, financial condition and results of operations." and "— Stricter environmental regulations could significantly increase our operating costs." below. Any of the above could have a material and adverse affect on our business, financial condition and results of operations.

Failure to comply with the relevant quality and safety standards and labor laws of the PRC could lead to fines, law suits or other penalties that may materially and adversely affect our business, financial condition and results of operations.

Our products are subject to strict product quality specifications under PRC law. Our operations are also subject to rigorous safety standards and routine safety inspections. If the PRC government determines that our products do not meet national standards for quality and safety or that our operations are in breach of labor laws, we could be subject to significant fines or be required to invest additional capital to carry out the necessary improvements to meet such standards, which could cause us to be less profitable or have less resources available to invest in the future expansion of our operations. In addition, should our products lead to harm or injury as a result of the failure to meet the relevant quality or safety standards in the PRC or the relevant standards under our sales contracts or result in non-compliance with the labor laws of the PRC, we could be subject to additional fines, penalties and lawsuits, which could increase our costs significantly and could potentially harm our business reputation, resulting in consumers being less inclined to purchase our products and services, thereby materially and adversely affecting our business, financial condition and results of operations.

Industrial accidents may disrupt our production process and subject us to legal claims and liabilities.

We cannot assure you that any preventive measures we have taken or may take will be sufficient to prevent any industrial accidents in the future. In addition, potential industrial accidents leading to significant property loss and personal harm may disrupt our operations, subject us to claims and lawsuits, and adversely affect our profitability, relations with customers, suppliers, employees and regulatory authorities. Moreover, under PRC law, we are required to comply with certain safety regulations. The PRC government may strengthen safety regulations in the future, and we may be required to dedicate substantial financial and other resources to comply with these regulations.

The demand for and price of recycled paper products is dependent on the macro-economic conditions of the PRC and globally.

The demand for recycled waste paper products in the PRC has increased with the PRC's emergence as an export leader and center for global manufacturing, as companies require a great deal of packaging materials made with recyclable paper to ship their goods outside the PRC. Moreover, domestic demand for packaging materials has grown in correlation with the growth of the PRC economy. However, as a result of the recent global economic downturn and increasing trade tariffs, we cannot assure you that favorable conditions will persist in the PRC and for exports and that our sales of recycled paper products will continue to increase in the future. We could face decreasing prices and sales volume should either the PRC or other major economies, such as the United States, suffer a prolonged slowdown that inhibits demand for paper products generally.

Increasingly strict PRC regulations could lead to restrictions on or closure of the independently owned small power generators and cause us to commit capital to upgrade our power generators or to purchase electricity and steam from outside sources, which could adversely affect our results of operations.

We mainly source electricity for our production from local utilities and meet all of our steam consumption internally. However, in recent years, the PRC government has enhanced its macro-regulation over the power industry and adopted related policies to restrict small-scale power generators and has imposed certain criteria and requirements on powersteam generators which are subject to change and may become stricter. Accordingly, such small-sized power generators may be subject to certain restrictions and face possible bans in the future. Greater restrictions on small-sized power generators could cause us to invest more money in expanding or upgrading our existing generators, which would increase our costs and reduce the amount of capital we would have available to spend on our expansion plans. Should we be forced to shut down our power generators, we would be required to purchase more energy from outside sources. Given that paper production is an energy-intensive process, our increased reliance on energy from outside sources could be significant. Purchasing energy from outside sources could have a number of adverse effects, including, among other things, higher energy prices and potential disruptions in the supply of energy, which could lead to delays in production or increased costs, thereby adversely affecting our results of operations.

Our export sales may be affected by potential trade protectionist measures over which we have no control.

On December 31, 2008, the Australian government imposed anti-dumping duties of between 2% and 5% on certain tissue paper products which we export from China to Australia. The Australian government subsequently revoked these anti-dumping duties on January 12, 2010 as it determined that injury to the Australian tissue paper products industry was not foreseeable and imminent. Our revenue from export sales of tissue paper products to Australia accounted for 1.9%, 2.3% and 1.8% of our total sales for FY2008, FY2009 and the six months ended September 30, 2009, respectively. Australia may undertake trade protectionist measures in the future which would materially and adversely affect our exports to Australia. Additionally, other countries may also impose trade protectionist measures to protect their domestic industries, particularly from the repercussions of the recent global economic downturn. Revenue from our export sales (to non-PRC countries and regions) accounted for 18.2%, 20.9% and 15.0% of our total sales for FY2008, FY2009 and the six months ended September 30, 2009, respectively. Therefore, any serious or prolonged trade protectionist measures against our industry could adversely affect overall demand for our products in the international market. We cannot assure you that the countries to which we export our products will not initiate trade protectionist measures in the form of anti-dumping duties, taxes, trade laws, tariffs and regulatory requirements against Chinese-manufactured products in the future. If such measures are initiated, our revenue could decrease significantly. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Stricter environmental regulations could significantly increase our operating costs.

Paper production generates solid and liquid waste by-products, including wastewater, sludge and gaseous emissions. However, we strive to be as environmentally friendly as possible in our production process. We reuse waste by-products to the extent possible and have installed an advanced water filtration plant that exceeds PRC government standards. Nonetheless, in recent years, the PRC regulators have placed greater emphasis on environmental issues and have issued numerous national and local environmental laws and regulations, many of which could become more stringent in the future. In particular, on May 23, 2007, the State Council issued the "Notice regarding a Comprehensive Energy-Saving and Pollution Reduction Working Plan" (國務院關於印發節能減排綜合性工作方案的通知) which placed stricter controls on energy-consumption and pollution and encourages the retirement of older production lines that pollute relatively more and are less energy-efficient. On October 15, 2007, the NDRC promulgated the "Policy for the Development of the Paper-Making Industry" (造紙產業政策), which encouraged the paper-making industry to place emphasis on utilization of pulp and waste paper as raw materials in paper manufacturing and to standardize categorization criteria for waste paper. On October 22, 2007, the NDRC and the former SEPA jointly issued the "Notice regarding the Retirement of Obsolete Production Lines for the Production of Paper, Alcohol, Monosodium Glutamate and Citrate" (關於做好淘汰落後造紙、酒精、味精、檸檬酸生產能力工作的通知), encouraging the retirement of obsolete production lines that do not comply with the relevant environmental laws and regulations. On June 25, 2008 the former SEPA issued "Standards for the Release of Contaminated Water for the Pulp and Paper Making Industry" (制漿造紙工業水污染物排放標準) which sets stricter standards for the release of contaminated water for the paper-making industry. These and other relevant environmental laws and regulations impose rigorous standards on us with respect to water discharge, airborne emissions, the use, handling, discharge and disposal of solid waste and hazardous materials, noise pollution and remediation of environmental contamination. Although we currently hold the necessary permits and are in compliance with the applicable PRC environmental regulations in all material respects, our operating expenses may increase if such standards, or interpretation or enforcement of such standards, for discharge become more stringent. In such cases, we may be required to construct additional waste disposal treatment facilities, employ more stringent internal control measures or restrict our production capacity in order to reduce the amount of pollutants generated, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

Changes in political or economic policies and a slowdown in the PRC economy could materially and adversely affect our business, financial condition and results of operations.

Substantially all of our assets are currently located in the PRC. A substantial part of our revenue is generated from products produced and sold in the PRC and we expect this situation to continue in the near future. As a result, our results of operations and prospects are and will continue to be subject to political, economic and legal developments in the PRC to a significant degree. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, allocation of resources, capital reinvestment, levels of development, growth rate and control of foreign exchange.

Historically, the PRC economy was centrally-planned, with a series of economic plans promulgated and implemented by the PRC government. Since 1978, the PRC government has been promoting economic and political reforms. The PRC has gradually shifted from a planned economy toward a market-oriented economy. However, continued governmental control of the economy may adversely affect us. We cannot assure you that the PRC government will continue to pursue economic reforms. A number of policies and measures that could be taken by the PRC government to regulate the economy, including the introduction of measures to control inflation, deflation, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, could materially and adversely affect our business, financial condition and results of operations.

Changes and uncertainties in the PRC legal system may have an adverse effect on our operations.

The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. Consequently, developments and changes in PRC laws and regulations, including their interpretation and enforcement, may have a material and adverse effect on our business, financial condition and results of operations.

We may be deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC tax on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of your investment.

Under the PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of China whose “de facto management bodies” are located in China are considered to be “tax resident enterprises” and will generally be subject to the uniform 25% corporate income tax rate as to their aggregate income (excluding dividends received from “tax resident enterprises”). The Regulation on the Implementation of the Enterprise Income Tax Law further defines “de facto management bodies” as bodies that have substantial or overall management or control over operations, personnel, finances, property, and other aspects of the enterprise. As management functions of the Group with respect to daily operations, financial decisions and personnel decisions of the Company are all located in Hong Kong, the Company currently believes that it is not a “tax resident enterprise” under the PRC Enterprise Income Tax Law. However, uncertainty remains with respect to the interpretation of the relevant provisions in the PRC Enterprise Income Tax, which is subject to further interpretation or clarification by the State Administration of Taxation (國家稅務總局) of the PRC. Notwithstanding the above, as part of our Company’s management is based in China, we may be treated as a Chinese tax resident enterprise for corporate income tax purposes. Moreover, 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 PRC Enterprise Income Tax Law or the implementation regulations. If our Company or any of our subsidiaries registered outside the PRC is treated as a "tax resident enterprise" under the PRC Enterprise Income Tax Law, our income tax expenses may increase significantly, and our profitability could decrease materially.

Dividends payable by us to our foreign investors and gains on the sale of their Shares may become subject to withholding income tax under PRC tax laws.

Under the new PRC Enterprise Income Tax Law and the implementation regulations, PRC withholding income tax at the rate of 10% is applicable to dividends payable by a PRC tax resident enterprise to investors that are "non-tax resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent that such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of shares of a PRC tax resident enterprise by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we were considered to be a PRC "tax resident enterprise," it is unclear whether the dividends we pay with respect to the Shares, or the gains you may realize from the sale of your Shares, may be treated as income derived from sources within the PRC and be subject to PRC taxes. If we are required under the PRC Enterprise Income Tax Law to withhold PRC income taxes on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in the Shares may be materially and adversely affected.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions to us.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on PRC accounting standards each year to their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business. Under the PRC Enterprise Income Tax Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to "non-resident enterprises" (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that the PRC has entered into, which provides for a lower withholding tax rate. If our Company or our non-PRC subsidiaries are considered to be a "non-resident enterprise," any dividend that our Company or any such subsidiary receives from our PRC subsidiaries may be subject to PRC tax at the rate of 10% (or lower treaty rate).

PRC regulations on direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds from the Global Offering to make additional contributions or loans to our PRC subsidiaries.

Any capital contribution or loans that we, as a company incorporated in the Cayman Islands, make to our PRC subsidiaries, including from the proceeds of the Global Offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment that our PRC subsidiaries are approved to make under the relevant PRC laws and the registered capital of the relevant PRC subsidiary, and any such loans must be registered with the local branch of SAFE. In addition, our additional capital contributions to our PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be adversely affected, which could affect our PRC subsidiaries' liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

The enforcement of the PRC Labor Contract Law and other labor related regulations in the PRC may adversely affect our business and results of operations.

On June 29, 2007, the National People's Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008. Compared to the Labor Law, the Labor Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labor Contract Law, an employer is obligated to sign an unlimited term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts or the employee has already worked for the employer for 10 years consecutively. The employer also has to pay compensation to employees if the employer terminates an unlimited term labor contract. Unless an employee refuses to extend an expired labor contract, compensation is also required when the labor contract expires and the employer does not extend the labor contract with the employee under the same terms or terms which are better than those in the original labor contract. Furthermore, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labor measures, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future.

The PRC Anti-Monopoly Law may restrict our business dealings or require us to divest our interests in certain assets in the PRC.

The PRC Anti-Monopoly Law (中華人民共和國反壟斷法) (the ***AML***), which attempts to prevent monopolistic activities and protect fair competition in the PRC, became effective on August 1, 2008. It prohibits business entities (including us and all of our subsidiaries) from engaging in monopolistic behavior, entering into monopolistic agreements, abusing a dominant market position and pursuing consolidations which exclude, restrict or potentially inhibit competition. The AML does not prohibit any business entity from expanding its market share to achieve or maintain a dominant market position through fair competition, nor does it set limits on the market share that any one entity can achieve or maintain in the PRC. The AML also provides clear standards under which business operators are excluded from antimonopoly examination.

Under the AML, an entity that enters into monopolistic agreements or abuses its dominant market position may be subject to penalties, including confiscation of illegal gains and fines ranging from 1% to 10% of its revenue for the preceding year. If an entity pursues an illegal consolidation, it may be forced to terminate the consolidation, divest its shares and assets or businesses within a limited period of time or otherwise unwind the consolidation. The flexibility of the business operation of our PRC subsidiaries and our business expansion through merger or acquisition of other competitors may be subject to strict examination and approval by MOFCOM, which is the main authority in charge of reviewing operators' consolidation concerning anti-monopoly issues. As the AML has only come into effect recently and has not been fully interpreted and implemented, its effect on our business is not yet known and we cannot give assurance that the relevant authorities will not interpret the law in such a manner or announce specific rules such that the implementation of the AML will affect our business in general or will contradict the PRC government's existing policies. In the event of non-compliance with the AML, we may be subject to fines and other penalties. In the event of these circumstances, our revenue and Shareholder value may be materially and adversely affected.

RISK RELATING TO THE GLOBAL OFFERING AND OUR SHARES

Future offerings or sales of our Shares could adversely affect the prevailing market price of our Shares and result in dilution.

Future offerings or sales of our Shares by us or our Controlling Shareholders, or other Shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our Shares to decline. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering" in this prospectus for details of restrictions that may apply to future sales of our Shares. After these restrictions lapse, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares (including the issuance of new Shares pursuant to the exercise of share options granted by us) or the perception that such sales or issuances may occur. This could also have a material and adverse effect on our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, if we issue additional Shares or share options in the future, you may experience further dilution.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public Shareholders' best interests.

Immediately following the completion of the Global Offering and the Capitalization Issue, our Controlling Shareholders will beneficially own in aggregate 63.00% of our Shares (assuming the Over-allotment Option is not exercised) or approximately 60.21% of our Shares (assuming the Over-allotment Option is exercised in full). The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other Shareholders. As such, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have an adverse effect on our business operations and the price at which our Shares are traded on the Stock Exchange.

An active trading market in our Shares may not develop, which could have a material and adverse effect on our Share price and on your ability to sell your Shares.

Prior to the Global Offering, no public market existed for our Shares. The Offer Price for the Offer Shares will be determined by us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) and may differ significantly from the market price for our Shares following the completion of the Global Offering. We have applied to list our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the completion of the Global Offering or in the future. If an active public market for our Shares does not develop, the Shares could trade at a price lower than their initial offering price and you may not be able to resell your Shares for an extended period of time, if at all.

The trading volume and market price of our Shares may be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of the presence of competitors, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents we may suffer, changes in our senior management personnel, changes in ratings by financial analysts and credit rating agencies, litigation, or fluctuations in the market prices for our products or raw materials could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations 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 will experience dilution in the pro forma net tangible book value per Share because the Offer Price is higher than our net tangible book value per Share.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value of HK$1.12 per Share (assuming an Offer Price of HK$1.99, being the mid-point of the Offer Price range of HK$1.68 to HK$2.30 per Offer Share). This calculation is based on the assumption that 2,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Capitalization Issue but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme. If we issue additional Shares in the future, purchasers of our Shares may experience further dilution in their ownership percentage.

Our historical dividends do not indicate our future dividend policy.

In the year ended March 31, 2007, we declared and paid a cash dividend of HK$8.6 million to our Shareholders. However, we did not declare or pay any dividends for the years ended March 31, 2008 and 2009 and the six months ended September 30, 2009. In the future, the amount of dividends we may declare and pay will be subject to, among other things, the full discretion of our Board, and will depend upon our operations, earnings, financial condition, cash requirements and availability and any other factors which our Board may consider relevant. Accordingly, the amount of dividends that we have declared and paid in the past do not indicate the dividends that we may pay in the future.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and these laws may provide different protections to minority shareholders than the laws of Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. These differences may mean that our minority shareholders may have different protections than they would have under the laws of Hong Kong. A summary of Cayman Islands law on the protection of minority shareholders is set out in the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix V to this prospectus.

Prospective investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.

This prospectus contains information and statistics, including but not limited to information and statistics relating to the PRC and the industry and markets in which we operate. The information and statistics related to the industry and markets in which we operate are derived from official government publications. None of the information or statistics derived from official government publications has been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters, any of our or their respective Directors, officers or representatives or any other person or party involved in the Global Offering. We cannot ensure the accuracy of information and statistics derived from official government publications, and information and statistics derived from official government publications may not be consistent with other information publicly available or available from other sources. Prospective investors should not place undue reliance on any information or statistics derived from official government publications contained in this prospectus.

Prospective investors should not place any reliance on any information contained in the press coverage regarding the Group and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, including but not limited to the statements in the Hong Kong Economic Journal on March 2, 2010; the Hong Kong Daily News and Sing Tao Daily, each on March 3, 2010; the Hong Kong Economic Journal, the Hong Kong Economic Times, Sing Pao and Sing Tao Daily, each on March 8, 2010; and The Standard on March 9, 2010 which included, among others, certain financial information, projections, valuations and/or other information about the Group and the Global Offering. We have not authorized the disclosure of any such information in the press or media and we do not accept any responsibility for the accuracy or completeness of any such press articles or media. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press or other media. To the extent that any such information appearing in the press or other media other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making the decision as to whether to purchase the Offer Shares, investors should rely only on the information contained in this prospectus and should not rely on any other information.

Due to a gap of up to five business days between pricing and trading of our Shares and given that our Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of our Shares could be lower than the Offer Price

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be up to five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during such period, and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.