

### OUR HISTORY

#### General

We were incorporated in the Cayman Islands on November 11, 2009 and, as a part of the Reorganization, became the ultimate holding company of our various subsidiaries. Through certain holding companies and wholly foreign owned enterprises, we own 100% of our operating subsidiaries.

As of the Latest Practicable Date, we were held as to 31.67% by our founder, Chairman and Chief Executive Officer, Mr. Leung Kai Kuen, through his wholly-owned company, City Legend, 60.34% by Ms. Tam through her wholly-owned company, Trump Max, 5.33% by Wealth Gold and 2.66% by Prochina.

Ms. Tam was formerly a director of certain subsidiaries of our Company but was not involved in the management of the Group as she did not take up any executive role in any of those subsidiaries of which she was a director. As Ms. Tam's role in those subsidiaries was only passive, she resigned as a director of each of those subsidiaries on December 4, 2009. Ms. Tam was also previously the human resources manager of certain of our Hong Kong incorporated subsidiaries, assisting our Head of Human Resources in implementing decisions and managing the human resources affairs of these Hong Kong incorporated subsidiaries. As of the Latest Practicable Date, Ms. Tam has resigned as a human resources manager of these subsidiaries. Apart from Trump Max, Ms. Tam also has interests in a number of other investment holding companies which do not engage in any business activities that compete or may compete with our business activities. The other ultimate beneficial owners of such investment holding companies are Mr. Leung Kai Kuen and the two adult children of Ms. Tam and Mr. Leung Kai Kuen, being Ms. Leung Hoi Ying and Mr. Leung Ting Yu.

#### History and Development

We can trace our history back to 1968 when our founder, Chairman and Chief Executive Officer, Mr. Leung Kai Kuen, began his waste paper collection and trading services in Hong Kong.

In 1981, Mr. Leung Kai Kuen established his first company, Golddoor, with another partner for trading waste paper with overseas customers. In 1988, he began to provide waste paper management services in Hong Kong in light of the increasing market demand for such services. With a view to leveraging their experience in the waste paper management industry and to complement their customer network, in 1990, Mr. Leung Kai Kuen and Ms. Tam acquired CMDS, which was then one of the leading confidential materials destruction services providers in Hong Kong, from DHL International Limited. In the same year, we established our first waste paper management center in Hong Kong to support our growing waste paper management business. Subsequently, in 1991, we expanded our confidential materials destruction services by acquiring another confidential materials destruction services provider in Hong Kong, Hoi On. The business of Hoi On was later consolidated under CMDS. Mr Leung Kai Kuen established Fook Woo Waste Paper in 1993 in Hong Kong to trade waste paper and other recoverable materials.

In the following years, we successfully evolved from a pure waste paper management services company to a vertically-integrated provider of recyclable waste paper management and manufacturer of paper products in Hong Kong and China.

We have received a number of awards from both PRC and international institutions. In 2008, we were named by FinanceAsia as one of “Asia’s Top 10 Green Companies.” In the same year, our plant in Fanling was AAA certified by NAID for Plant-based Operation. CMDS was also recognized by NAID as a member of good standing dedicated to the advancement of the information destruction industry by promoting education and the highest ethical standards. In August 2009, we received the award of Clean Production Enterprise of Guangdong Province from the Economic & Trade Commission of Guangdong Province (廣東省經濟貿易委員會) and the Guangdong Science and Technology Department (廣東省科學技術廳). In October 2009, we obtained a certification from FSC in recognition of our implementation of the wood products control system in accordance with the FSC certification system in our manufacturing and trading of recycled tissue paper, paper towels and greyboards. For further details of our recent awards, please refer to the section headed “Our Business — Awards and Recognition” in this prospectus.

### Significant Milestones

March 1968 .....	Mr. Leung Kai Kuen started his waste paper collection and trading services in Hong Kong
April 1981 .....	Mr. Leung Kai Kuen established his first company, Golddoor, with another partner for trading waste paper with overseas customers
June 1983 .....	Hong Kong Waste Paper Trade Association Limited was set up. Mr. Leung Kai Kuen, one of the founding members, was appointed as the chairman
1988 .....	Mr. Leung Kai Kuen began to provide waste paper management services in Hong Kong
September 1990 .....	Mr. Leung Kai Kuen and Ms. Tam acquired CMDS
September 1993 .....	Fook Woo Waste Paper was established to conduct waste paper collection and trading business
March 1996 .....	Boluo Yuanzhou Fook Woo Paper Company Limited (博羅縣園洲福和紙業有限公司) ( <i>Yuanzhou Fook Woo</i> ) was established in the PRC as a Sino-foreign cooperative venture enterprise between Golddoor, which was then owned as to 20% by Mr. Leung Kai Kuen and 80% by Ms. Tam, and Boluo Yuanzhou Industrial Development Company (博羅縣園洲鎮實業發展總公司) ( <i>Yuanzhou Industrial Development</i> ), which is an Independent Third Party <sup>(1)</sup>
December 1997 .....	Fook Woo Assorted Paper was established to trade paper products in Hong Kong and overseas markets
March 1998 .....	Our first production line was established in Dongguang, Guangdong province, PRC, and we started using recovered paper from our waste management operation as raw materials for manufacturing recycled tissue paper products
April 1999 .....	Yuanzhou Fook Woo began to produce a range of virgin pulp and recycled tissue paper products
April 2000 .....	Yuanzhou Fook Woo changed its name to FWHZ

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## HISTORY AND REORGANIZATION

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August 2002.....	FWHZ obtained the ISO 9001:2000 certificate further to which we obtained the ISO 9001:2008 certificate in October 2009. Our scope of production was expanded to include manufacturing of recycled greyboards
October 2002.....	Fook Woo Environmental was established to focus on waste materials operations
November 2005 .....	Our first own brand “SMEELL (思蜜兒)” (which was later changed to “See-mia”) was launched
December 2006 .....	FWHZ obtained the ISO 14001:2004 certificate
February 2007.....	Yuanzhou Industrial Development exited from FWHZ and ceased to have any interest in FWHZ and FWHZ became our wholly-owned subsidiary <sup>(2)</sup>
October 2008.....	Our plant in Fanling was AAA certified by NAID for Plant-based Operation, and CMDS was also recognized by NAID as a member of good standing dedicated to the advancement of the information destruction industry by promoting education and the highest ethical standards
August 2009.....	FWHZ was classified as a “Clean Production Enterprise of Guangdong Province” by the Economic and Trade Commission of Guangdong Province and the Guangdong Science and Technology Department
October 2009.....	We received the certificate from FSC for our implementation of the wood products control system in accordance with the FSC certification system in our manufacturing and trading of recycled tissue paper, paper towels and greyboards

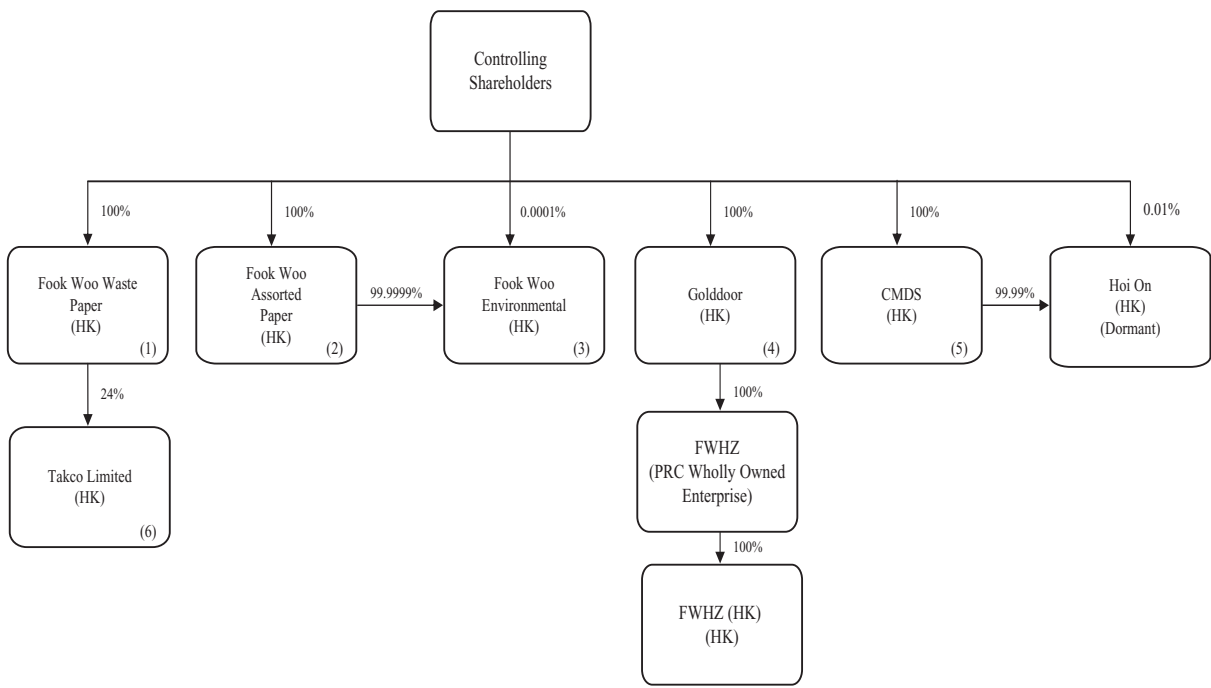
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### Notes:

- (1) Yuanzhou Industrial Development is a domestic company established on May 26, 1994 and is wholly-owned by Bolou Yuanzhou People’s Government. On March 24, 1996, Golddoor and Yuanzhou Industrial Development entered into a cooperative venture agreement, pursuant to which Golddoor would contribute 95% of the registered capital to Yuanzhou Fook Woo and Yuanzhou Industrial Development would contribute the remaining 5%. However, Yuanzhou Industrial Development has never made its committed contribution. We have been advised by our PRC legal adviser that, according to the relevant PRC laws and regulations, since Yuanzhou Industrial Development, being one of the registered shareholders of FWHZ, has never made its committed capital contribution in FWHZ, Yuanzhou Industrial Development was not entitled to enjoy any beneficial interest in or any profit generated from FWHZ from March 1996 to January 2007 and has no right to make any such claim against FWHZ.
- (2) On January 4, 2007, Golddoor and Yuanzhou Industrial Development entered into an agreement to terminate their joint venture agreement, pursuant to which Golddoor undertook to contribute all outstanding contributions for the registered capital of FWHZ (which Yuanzhou Industrial Development had failed to make) and FWHZ became our wholly-owned subsidiary. Such termination was approved by the Foreign Trade and Economic Cooperation Bureau of Boluo County on February 1, 2007.

OUR CORPORATE REORGANIZATION

Prior to our Reorganization, our shareholding structure was as follows:



Notes:

- (1) Fook Woo Waste Paper was owned as to 10% by Mr. Leung Kai Kuen and as to 90% by Fook Woo Paper Company Limited, a company owned as to 10% by Mr. Leung Kai Kuen and 90% by Ms. Tam.
- (2) Fook Woo Assorted Paper was owned as to 0.0001% by Mr. Leung Kai Kuen and as to 99.9999% by Ms. Tam.
- (3) Fook Woo Environmental was owned as to 0.0001% by Ms. Tam and as to 99.9999% by Fook Woo Assorted Paper.
- (4) Golddoor was owned as to 20% by Mr. Leung Kai Kuen and as to 80% by Ms. Tam.
- (5) CMDS was owned as to 20% by Mr. Leung Kai Kuen and as to 80% by Ms. Tam.
- (6) Takco Limited was owned as to 24% by Fook Woo Waste Paper, 24% by Mr. Yip Yik Shing, and 51.9% by Xun Xiang Metalware Company Limited and 0.1% by Xun Xiang Recycling Limited. Mr. Yip Yik Shing, Xun Xiang Metalware Company Limited and Xun Xiang Recycling Limited are Independent Third Parties.

Offshore Reorganization

Pursuant to our Reorganization, we were incorporated in the Cayman Islands on November 11, 2009 to act as the listing vehicle of our Group. Upon incorporation, we were held as to 20% and 80% by Mr. Leung Kai Kuen and Ms. Tam, respectively. In preparation for the Listing and as part of our Reorganization, our Company acquired the entire issued share capital of Fook Woo International from Mr. Leung Kai Kuen and Ms. Tam, and we became the holding company of the group subsidiaries.

***Pursuant to our Reorganization, the following offshore companies were incorporated:***

***(a) Fook Woo International***

On March 16, 2007, Fook Woo International was incorporated in the British Virgin Islands to act as the intermediate holding company of all the businesses of our group companies. On March 16, 2007, one share of US\$1.00 each, credited as fully paid at par, was allotted and issued to Mr. Leung Kai Kuen, representing the entire issued share capital of Fook Woo International. On March 23, 2009, 9,999 shares of US\$1.00 each and 40,000 shares of US\$1.00 each, credited as fully paid at par, were allotted and issued by Fook Woo International to Mr. Leung Kai Kuen and Ms. Tam, who then owned 20% and 80% of the issued share capital of Fook Woo International, respectively. On March 26, 2009, every issued and unissued share of US\$1.00 each in the capital of Fook Woo International was subdivided into 100 shares of US\$0.01 each and the authorized share capital of Fook Woo International was increased from US\$50,000.00 to US\$5,000,000.00 by the creation of an additional 495,000,000 shares of US\$0.01 each.

***(b) Fook Woo Waste Paper (BVI)***

On March 23, 2009, Fook Woo Waste Paper (BVI) was incorporated in the British Virgin Islands to act as the immediate holding company of Fook Woo Waste Paper. Fook Woo Waste Paper (BVI) has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On March 23, 2009, one share, credited as fully paid at par, was allotted and issued by Fook Woo Waste Paper (BVI) to Fook Woo International.

***(c) Fook Woo Assorted Paper (BVI)***

On March 23, 2009, Fook Woo Assorted Paper (BVI) was incorporated in the British Virgin Islands to act as the immediate holding company of Fook Woo Assorted Paper. Fook Woo Assorted Paper (BVI) has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On March 23, 2009, one share, credited as fully paid at par, was allotted and issued by Fook Woo Assorted Paper (BVI) to Fook Woo International.

***(d) Fook Woo Environmental (BVI)***

On March 23, 2009, Fook Woo Environmental (BVI) was incorporated in the British Virgin Islands to act as the immediate holding company of Fook Woo Environmental. Fook Woo Environmental (BVI) has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On March 23, 2009, one share, credited as fully paid at par, was allotted and issued by Fook Woo Environmental (BVI) to Fook Woo International.

***(e) Fook Woo Paper (BVI)***

On March 23, 2009, Fook Woo Paper (BVI) was incorporated in the British Virgin Islands to act as the immediate holding company of Golddoor. Fook Woo Paper (BVI) has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On March 23, 2009, one share, credited as fully paid at par, was allotted and issued by Fook Woo Paper (BVI) to Fook Woo International.

*(f) Fook Woo CMDS (BVI)*

On March 23, 2009, Fook Woo CMDS (BVI) was incorporated in the British Virgin Islands to act as the immediate holding company of CMDS. Fook Woo CMDS (BVI) has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On March 23, 2009, one share, credited as fully paid at par, was allotted and issued by Fook Woo CMDS (BVI) to Fook Woo International.

***Pursuant to our Reorganization, the following offshore companies were disposed of:***

On August 5, 2009, CMDS transferred its 99.99% interest in Hoi On, a dormant company, to Noble Collection Holdings Ltd., a company wholly owned by Ms. Tam for a consideration of HK\$9,999, being the nominal value of the transferred shares, and Mr. Leung Kai Kuen transferred his 0.01% interest in Hoi On to Noble Collection Holdings Ltd. for a consideration of HK\$1.

On August 5, 2009, Fook Woo Waste Paper transferred its 24% interest in Takco Limited, a company incorporated in Hong Kong of which its other shareholders were Independent Third Parties, to Excellent Win Limited, an Independent Third Party, for a consideration of HK\$240, being the nominal value of the transferred shares. Takco Limited was previously principally engaged in scrap materials trading business. As of the Latest Practicable Date, Takco Limited was no longer engaged in scrap materials trading and its only principal business activity was that it was a party to the two tenancy agreements dated July 6, 2007 and June 12, 2006 entered into between the government of Hong Kong (the *Hong Kong Government*) and Takco Limited in relation to the packing stations located at Chi Wa Lane (置華里) and Cha Kwo Ling (茶果嶺), respectively, which were occupied by the Group. As the tenancy agreement relating to the packing station located at Cha Kwo Ling (茶果嶺) expired on July 9, 2009, the tenancy agreement relating to the packing station located at Chi Wa Lane (置華里) would expire on July 2, 2010, and the Group never exercised control over Takco Limited and it was not expected that the Group would have any business with Takco Limited in the future, our Group decided to dispose of our shareholding interests in Takco Limited. After such disposal, our Group no longer had any shareholding interests in Takco Limited and, as such, no longer had access to the packing station located at Chi Wa Lane (置華里) which is the subject of the tenancy agreement entered into between the Hong Kong Government and Takco Limited. After such disposal, our Group no longer leased or used the packing station located at Cha Kwo Ling (茶果嶺). There was no formal arrangement between the Group and Takco Limited in connection with our Group's use of the relevant packing stations. The Group reimbursed Takco Limited for the costs (comprising rental, electricity and water expenses) incurred by Takco Limited in relation to the area occupied by them in the packing stations. Takco Limited did not contribute to any profit or revenue of our Group during the Track Record Period.

***Pursuant to our Reorganization, the following company was transferred inter-Group:***

On February 21, 2010, FWHZ transferred its 100% interest in FWHZ (HK) to Fook Woo International, for a consideration of US\$5, being the nominal value of the shares of Fook Woo International to be allotted and issued in consideration of the transfer. The consideration for the transfer was satisfied by Fook Woo International allotting and issuing, credited as fully paid, a total of 100 shares of US\$0.01 each and 400 shares of US\$0.01 each in Fook Woo International to Mr. Leung Kai Kuen and Ms. Tam, respectively.

***Pursuant to our Reorganization, the following operating companies were acquired by the holding companies by way of a share swap:***

***(a) Fook Woo Waste Paper***

On December 7, 2009, Fook Woo Waste Paper (BVI) acquired the entire issued share capital of Fook Woo Waste Paper from its shareholders, namely, Mr. Leung Kai Kuen and Fook Woo Paper Company Limited, at a total consideration of HK\$15,159,931, being the net asset value as shown in its management accounts as of September 30, 2009. The consideration for the acquisition was satisfied by Fook Woo International allotting and issuing, credited as fully paid, a total of 100 shares of US\$0.01 each and 400 shares of US\$0.01 each in Fook Woo International to Mr. Leung Kai Kuen and Ms. Tam, respectively.

As between Fook Woo International and Fook Woo Waste Paper (BVI), there will be inter-group debt in the same amount of the consideration.

***(b) Fook Woo Assorted Paper***

On December 7, 2009, Fook Woo Assorted Paper (BVI) acquired the entire issued share capital of Fook Woo Assorted Paper from its shareholders, namely, Mr. Leung Kai Kuen and Ms. Tam, at a total consideration of HK\$5,735,024, being the net asset value as shown in its management accounts as of September 30, 2009. The consideration for the acquisition was satisfied by Fook Woo International allotting and issuing, credited as fully paid, a total of 100 shares of US\$0.01 each and 400 shares of US\$0.01 each in Fook Woo International to Mr. Leung Kai Kuen and Ms. Tam, respectively.

As between Fook Woo International and Fook Woo Assorted Paper (BVI), there will be inter-group debt in the same amount of the consideration.

***(c) Fook Woo Environmental***

On December 7, 2009, Fook Woo Environmental (BVI) acquired the entire issued share capital of Fook Woo Environmental from its shareholders, namely, Ms. Tam and Fook Woo Assorted Paper, at a total consideration of HK\$4,971,394, being the net asset value as shown in its management accounts as of September 30, 2009. The consideration for the acquisition was satisfied by Fook Woo International allotting and issuing, credited as fully paid, a total of 100 shares of US\$0.01 each and 400 shares of US\$0.01 each in Fook Woo International to Mr. Leung Kai Kuen and Ms. Tam, respectively.

As between Fook Woo International and Fook Woo Environmental (BVI), there will be inter-group debt in the same amount of the consideration.

***(d) Golddoor***

On February 21, 2010, Fook Woo Paper (BVI) acquired the entire issued share capital of Golddoor from its shareholders, namely, Mr. Leung Kai Kuen and Ms. Tam, at a total consideration of HK\$995,681,164.66, being the net asset value as shown in its management accounts as of December 31, 2009. The consideration for the acquisition was satisfied by Fook Woo International allotting and issuing, credited as fully paid at premium, a total of 100 shares of US\$0.01 each and 400 shares of US\$0.01 each in Fook Woo International to Mr. Leung Kai Kuen and Ms. Tam, respectively.



As between Fook Woo International and Fook Woo Paper (BVI), there will be inter-group debt in the same amount of the consideration.

**(e) CMDS**

On December 7, 2009, Fook Woo CMDS (BVI) acquired the entire issued share capital of CMDS from its shareholders, namely, Mr. Leung Kai Kuen and Ms. Tam, at a total consideration of HK\$12,466,342, being the net asset value as shown in its management accounts as of September 30, 2009. The consideration for the acquisition was satisfied by Fook Woo International allotting and issuing, credited as fully paid, a total of 100 shares of US\$0.01 each and 400 shares of US\$0.01 each in Fook Woo International to Mr. Leung Kai Kuen and Ms. Tam, respectively.

As between Fook Woo International and Fook Woo CMDS (BVI), there will be inter-group debt in the same amount of the consideration.

***Incorporation of Our Company***

Pursuant to our Reorganization, our Company was incorporated in the Cayman Islands on November 11, 2009 to act as the listing vehicle of our Group. The initial authorized share capital of our Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. Upon incorporation, our share capital was held as to 100 shares by Mr. Leung Kai Kuen and as to 400 shares by Ms. Tam representing 20% and 80%, respectively, of the issued share capital of our Company.

***Acquisition of Fook Woo International by Our Company***

On February 21, 2010, our Company acquired the entire issued share capital of Fook Woo International from its then shareholders, namely, Mr. Leung Kai Kuen and Ms. Tam. The total consideration for the acquisition was HK\$967,944,000 and was determined with reference to the net asset value of Fook Woo International as shown in its latest consolidated management accounts prior to the above acquisition and was satisfied by our Company allotting and issuing a total of 1,675 Shares and 6,700 Shares to Mr. Leung Kai Kuen and Ms. Tam, respectively.

***Assignment of Shareholder's Loan***

On February 21, 2010, Mr. Leung Kai Kuen assigned to our Company a loan in the amount of HK\$100,000,000 together with interest accrued thereon as of such date, representing the entire amount due and owing by Golddoor to Mr. Leung Kai Kuen. The consideration for the assignment was satisfied by the issue and allotment of 1,125 Shares by the Company to Mr. Leung Kai Kuen.

***Transfer of Shares held by Each of Mr. Leung Kai Kuen and Ms. Tam to City Legend and Trump Max Respectively***

On February 21, 2010, Mr. Leung Kai Kuen transferred his 2,900 Shares to City Legend in consideration of City Legend allotting and issuing, credited as fully paid, one new share in City Legend to Mr. Leung Kai Kuen. On February 21, 2010, Ms. Tam transferred her 7,100 Shares to Trump Max in consideration of Trump Max allotting and issuing, credited as fully paid, one new share in Trump Max to Ms. Tam.



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## HISTORY AND REORGANIZATION

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### *Transfer of Shares by Trump Max to Prochina, Wealth Gold and City Legend*

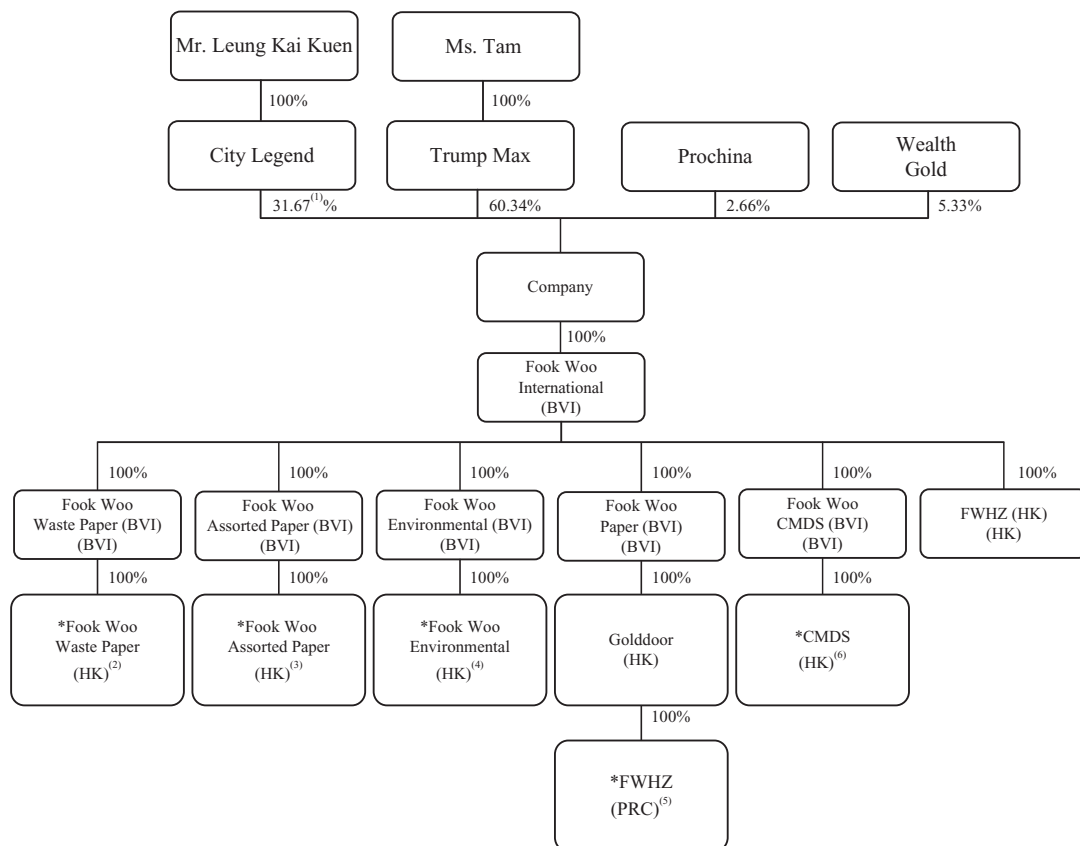
On February 21, 2010, Trump Max transferred as a gift 266 Shares, 533 Shares and 267 Shares to Prochina, Wealth Gold and City Legend, respectively, representing 2.66%, 5.33% and 2.67%, respectively, of the issued share capital of our Company at nil consideration.

Mr. Tam Kin Wah Zeus, Ms. Tam's younger brother, and his wholly-owned company, Prochina, and Ms. Leung Wai Ngan, Mr. Leung Kai Kuen's younger sister, and her wholly-owned company, Wealth Gold, did not provide any services to the Group in the past and, as far as the Directors are aware, it is not expected that they will provide any services to the Group in the future.

The Shares transferred to Prochina and Wealth Gold are subject to a lock-up of six months from the Listing Date and do not form part of the Shares held by the public after the Listing.

## HISTORY AND REORGANIZATION

Immediately following the completion of our Reorganization and before the Global Offering and the Capitalization Issue, the shareholding structure of our Company was as follows:



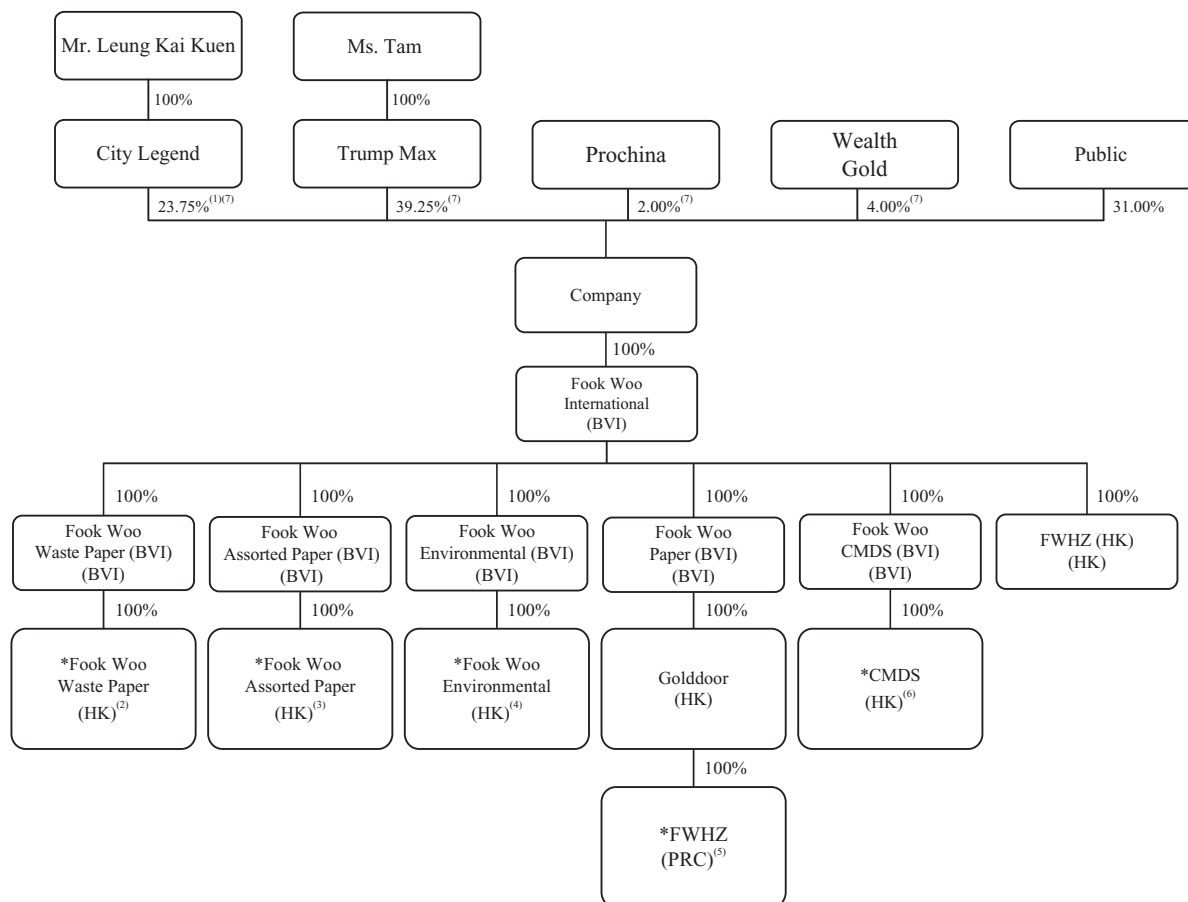
### Notes:

\* Principal operating subsidiaries of the Group.

- (1) Pursuant to the Loan Agreement, upon Firststate exercising its exchange right under the Loan Agreement, Mr. Leung Kai Kuen shall, within three business days after the exchange notice is served to him, transfer or procure the transfer to Firststate or its nominee of such number of Shares as represent approximately 8.06% of the issued share capital of our Company as of the date of exchange of the loan. Please refer to the section headed “— Loan Agreement Entered Into Between Mr. Leung Kai Kuen and Firststate” below for details of the Loan Agreement. Firststate and its shareholders are Independent Third Parties.
- (2) The principal business activity of Fook Woo Waste Paper is the trading of recovered paper in Hong Kong and overseas markets.
- (3) The principal business activity of Fook Woo Assorted Paper is the trading of paper products in Hong Kong and overseas markets.
- (4) The principal business activity of Fook Woo Environmental is waste paper procurement.
- (5) The principal business activities of FWHZ are manufacturing of paper products and sale of paper products and recovered paper.
- (6) The principal business activity of CMDS is the provision of confidential materials destruction services.

## HISTORY AND REORGANIZATION

Immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised), the shareholding structure of our Company will be as follows:



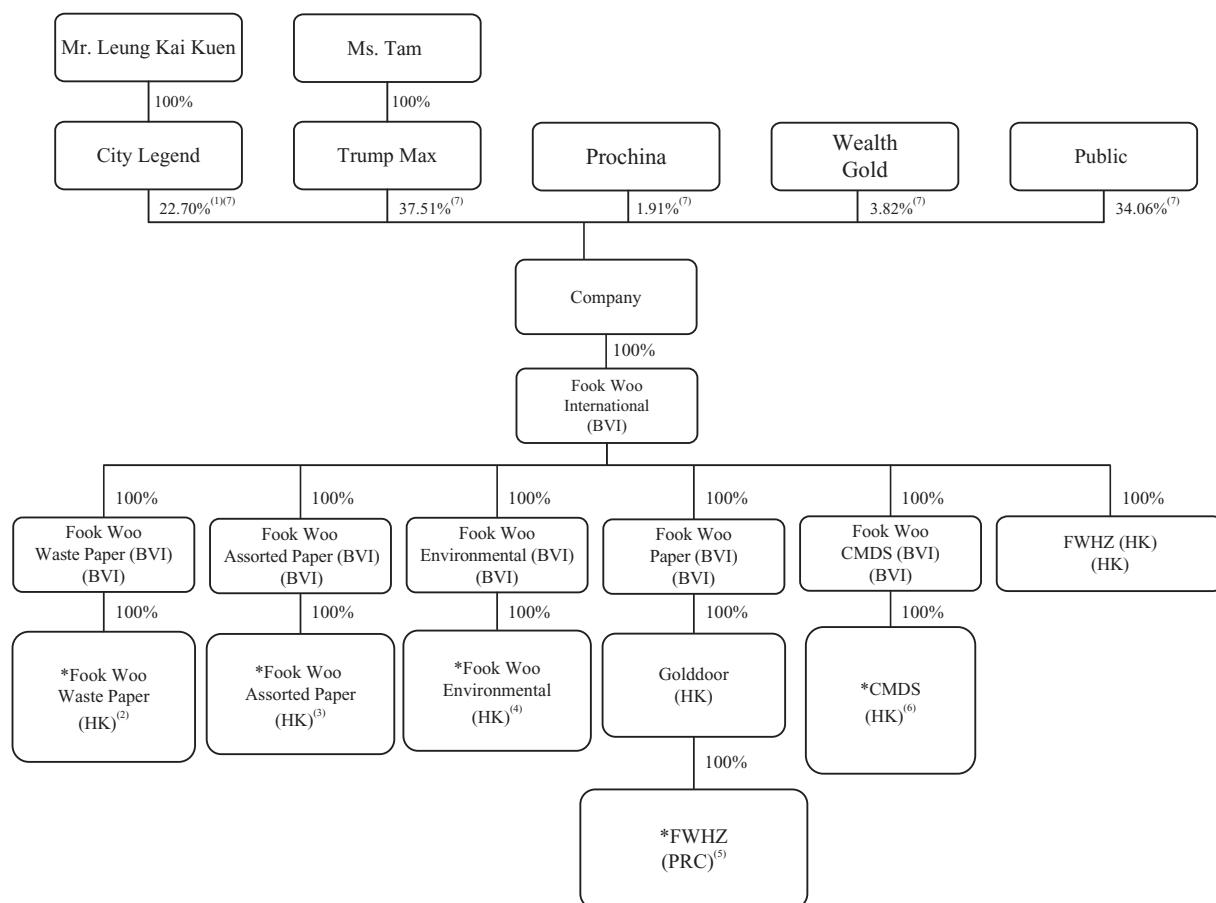
### Notes:

\* Principal operating subsidiaries of the Group.

- (1) Pursuant to the Loan Agreement, upon Firststate exercising its exchange right under the Loan Agreement, Mr. Leung Kai Kuen shall, within three business days after the exchange notice is served to him, transfer or procure the transfer to Firststate or its nominee of such number of Shares as represent approximately 8.06% of the issued share capital of our Company as of the date of exchange of the loan. Please refer to the section headed “— Loan Agreement Entered Into Between Mr. Leung Kai Kuen and Firststate” below for details of the Loan Agreement. Firststate and its shareholders are Independent Third Parties.
- (2) The principal business activity of Fook Woo Waste Paper is the trading of recovered paper in Hong Kong and overseas markets.
- (3) The principal business activity of Fook Woo Assorted Paper is the trading of paper products in Hong Kong and overseas markets.
- (4) The principal business activity of Fook Woo Environmental is waste paper procurement.
- (5) The principal business activities of FWHZ are manufacturing of paper products and sale of paper products and recovered paper.
- (6) The principal business activity of CMDS is the provision of confidential materials destruction services.
- (7) Percentage interests of these shareholders in the Company are approximate figures only.

## HISTORY AND REORGANIZATION

Immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is exercised in full), the shareholding structure of our Company will be as follows:



### Notes:

\* Principal operating subsidiaries of the Group.

- (1) Pursuant to the Loan Agreement, upon Firstrate exercising its exchange right under the Loan Agreement, Mr. Leung Kai Kuen shall, within three business days after the exchange notice is served to him, transfer or procure the transfer to Firstrate or its nominee of such number of Shares as represent approximately 8.06% of the issued share capital of our Company as of the date of exchange of the loan. Please refer to the section headed “— Loan Agreement Entered Into Between Mr. Leung Kai Kuen and Firstrate” below for details of the Loan Agreement. Firstrate and its shareholders are Independent Third Parties.
- (2) The principal business activity of Fook Woo Waste Paper is the trading of recovered paper in Hong Kong and overseas markets.
- (3) The principal business activity of Fook Woo Assorted Paper is the trading of paper products in Hong Kong and overseas markets.
- (4) The principal business activity of Fook Woo Environmental is waste paper procurement.
- (5) The principal business activities of FWHZ are manufacturing of paper products and sale of paper products and recovered paper.
- (6) The principal business activity of CMDS is the provision of confidential materials destruction services.
- (7) Percentage interests of these shareholders in the Company are approximate figures only.

### LOAN AGREEMENT ENTERED INTO BETWEEN MR. LEUNG KAI KUEN AND FIRSTRATE

Pursuant to the Loan Agreement, Firstrate granted an unsecured loan in the amount of HK\$100,000,000 to Mr. Leung Kai Kuen, in consideration of which Firstrate was granted a right to exchange the entire outstanding principal of the loan (and not part only) into such number of Shares in the manner as set out in the Loan Agreement and as further described below. The loan bears interest during its term at the prime rate for Hong Kong dollars from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited and is calculated on the basis of the actual number of days elapsed during the relevant period and a 360-day year.

Upon the exercise of the right of exchange by Firstrate, Mr. Leung Kai Kuen shall transfer or procure the transfer of such number of Shares representing approximately 8.06% of the issued share capital of our Company as of the date of exchange of the loan, to Firstrate or its nominee (which nominee shall not have an interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business) within three business days after the exchange notice is served to Mr. Leung Kai Kuen. Pursuant to the terms of the Supplemental Loan Agreement, the exchange ratio will be determined by dividing the outstanding principal amount of the loan as of the date of exchange of the loan by the product of six and the average of the consolidated net profits after tax or pro forma consolidated net profits after tax (as the case may be) (excluding discontinued, non-recurring items, as well as items arising from changes in accounting policies) of the Group for the two financial years ended March 31, 2008 and 2009, as set out in the audited accounts of the Group. All costs and expenses which may arise from the exchange and transfer of Shares from Mr. Leung Kai Kuen to Firstrate pursuant to the Loan Agreement shall be borne by Mr. Leung Kai Kuen.

In the event that Firstrate exercises its right of exchange, the obligation of Mr. Leung Kai Kuen to pay the accrued and unpaid interest on the entire outstanding principal of the loan calculated to the date of exchange shall be waived. The right of exchange may be exercised by Firstrate at any time and from time to time on or after the date following the expiry of the Lock-up Period on the Shares beneficially owned by Mr. Leung Kai Kuen but prior to November 27, 2010 (the **Maturity Date**), provided that if the Lock-up Period expires after the Maturity Date, the Maturity Date shall be deemed to be extended to a date (the **Extended Maturity Date**) falling two months after the expiry of the Lock-up Period or such other date as agreed between Mr. Leung Kai Kuen and Firstrate. Save for the above, the outstanding principal amount of the loan or any part thereof shall not be repaid or prepaid by Mr. Leung Kai Kuen prior to the Maturity Date, but in the event of an extension of the Maturity Date to the Extended Maturity Date, the outstanding principal amount of the loan together with all accrued and unpaid interest on the loan shall be repayable by Mr. Leung Kai Kuen within five business days after a written notice demanding repayment or prepayment of the loan is served by Firstrate on Mr. Leung Kai Kuen.

Assuming that no further Shares will be issued by our Company immediately following the completion of the Global Offering and the Capitalization Issue and that the Over-allotment Option is not exercised, the exchange price will be approximately HK\$0.62 per Share, which represents an approximately 73.0% discount to the Offer Price of HK\$2.30 (being the high end of the indicative Offer Price range stated in this prospectus) and an approximately 63.1% discount to the Offer Price of HK\$1.68 (being the low end of the indicative Offer Price range stated in this prospectus). Assuming that no further Shares will be issued by our Company immediately following the completion of Global Offering and the Capitalization Issue and that the Over-allotment Option is exercised in full, the exchange price will be approximately

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## HISTORY AND REORGANIZATION

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HK\$0.59 per Share, which represents an approximately 74.2% discount to the Offer Price of HK\$2.30 (being the high end of the indicative Offer Price range stated in this prospectus) and an approximately 64.7% discount to the Offer Price of HK\$1.68 (being the low end of the indicative Offer Price range stated in this prospectus).

No other special rights were granted to Firstrate under the Loan Agreement.

Mr. Leung Kai Kuen advanced the loan from Firstrate to Golddoor for working capital and development capital purposes. Such loan has been fully capitalized prior to the Latest Practicable Date. Firstrate was introduced to Mr. Leung Kai Kuen and the Group through Mr. Leung Kai Kuen's business acquaintances. Prior to such introduction, neither Mr. Leung Kai Kuen nor the Group had any relationship with Firstrate.

### REGULATIONS ON MERGER AND ACQUISITION

In accordance with the provisions of Article 238 of the Securities Law of the People's Republic of China and provisions of Article 40 of the Regulations for Merger and Acquisition of Domestic Enterprises by Foreign Investors (外國投資者併購境內企業的規定) (the *M&A Regulations*) jointly promulgated by MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry and Commerce, China Securities Regulatory Commission and State Administration of Foreign Exchange, which came into effect as of September 8, 2006 and was further amended by MOFCOM on June 22, 2009, any overseas listing transaction involving an overseas company directly or indirectly controlled by PRC domestic companies or natural persons for the purpose of realizing an overseas listing of the interest actually owned by them in domestic companies shall be subject to the approval of securities regulatory authorities of the State Council.

The M&A Regulations do not provide further definitions of the concepts of "PRC domestic companies" and "PRC natural persons." However, there are specific definitions for "domestic resident legal persons" and "domestic resident legal person" in the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investment Undertaken by Domestic Residents through Overseas Special-Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the *No. 75 Notice*) promulgated by the State Administration of Foreign Exchange on October 21, 2005. According to the No. 75 Notice, a domestic resident should apply to the foreign exchange authorities for foreign exchange registration for the purpose of overseas investment before he/she establishes or controls any overseas special purpose vehicle. A "special-purpose vehicle" shall be an overseas enterprise directly established or indirectly controlled by domestic resident legal persons or domestic resident natural persons for the purpose of equity financing using assets or interest held by them in domestic enterprises. A "domestic resident legal person" shall be an enterprise, legal person or other economic organization established in the PRC in accordance with the law. A "domestic natural person" shall be a natural person holding a resident identity card, passport, or other legitimate identity certificate of the PRC, or a natural person who does not hold such legal PRC domestic resident identity but customarily lives in the PRC due to the link of economic interest. The Notice of the General Affairs Department of the State Administration of Foreign Exchange on Release of Operative Directives for "Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of

Financing and Return Investment Undertaken by Domestic Residents through Overseas Special-Purpose Vehicles” (國家外匯管理局綜合司關於印發<國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知>操作規程的通知) promulgated by the former SAFE on May 29, 2007 further defines “natural person who does not hold legal PRC domestic resident identity but customarily lives in the PRC due to the link of economic interest” as persons who mainly fall into the following three categories: (1) natural persons who have permanent residence in the PRC, but are away from their permanent residence temporarily and are staying overseas to travel, study, receive medical treatment, work, or for other reasons, but will return to their permanent residence when such reasons no longer apply; (2) natural persons who hold a domestic equity interest in a domestic enterprise; and (3) natural persons who originally held a domestic equity interest, and who are still the ultimate holder of such interest, even though it has converted into a foreign equity interest.

However, based on the understanding of our PRC legal adviser, the “PRC domestic companies” referred to in Article 40 of the M&A Regulation should be restricted to companies incorporated and registered in the PRC, and “PRC domestic natural persons” shall be restricted to natural persons holding PRC nationality. We are not incorporated or registered in the PRC and our Controlling Shareholders are not natural persons holding the nationality of mainland China. None of the legal and beneficial shareholders of the Group is an enterprise legal person or an economic organization established in the PRC, a natural person holding a resident PRC identity card, passport or other PRC identity document, or a natural person who does not hold such PRC domestic resident identity but customarily lives in the PRC due to the link of economic interest. In light of the above, our PRC legal adviser is of the view that the shareholders of the Group are not required to apply to the foreign exchange authorities for the purpose of investing in the Group according to the No. 75 Notice. Therefore, our PRC legal adviser is of the view that for the entire process in preparation of the Global Offering (including the reorganization of the Group) and the Global Offering itself, we are not required to obtain approval from the securities regulatory authorities of the State Council nor are we subject to examination and approval of the China Securities Regulatory Commission.