

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Overview

Products and Market Share

We are the largest wood flooring brand in China in terms of market share⁽¹⁾ by retail sales value of branded wood flooring products. According to Frost & Sullivan, our “Nature” branded products accounted for 6.5% market share in terms of China’s total retail sales value of branded wood flooring products in 2009. Our branded products are manufactured through a combination of our own factories and exclusive authorized manufacturers.⁽²⁾ Authorized manufacturers are independent third parties (other than the two joint venture authorized manufacturers added in January 2011 to manufacture our branded laminated flooring products). Authorized manufacturers manufacture only our branded products and must sell these products exclusively to distributors in our distribution network directly, for which we charge trademark and distribution network usage fees but do not generate revenue from sales of those branded products. In 2008, 2009 and 2010, trademark and distribution network usage fees earned from authorized manufacturers accounted for approximately 17.3%, 16.2% and 12.4% of our total revenues, respectively, and the gross profit generated from such fees earned from authorized manufacturers accounted for 44.1%, 44.1% and 39.3% of our total gross profit, respectively.

According to Frost & Sullivan, in 2009, our branded products ranked second in laminated flooring with a 7.2% market share, first in multi-layered engineered flooring with a 5.3% market share and first in solid wood flooring with a 7.4% market share, in terms of retail sales value in China. We were the only company to achieve a top two market share position across the three primary wood flooring product categories in China in 2009. Leveraging our strong brand, extensive distribution network, comprehensive product portfolio and flexible manufacturing model, we grew rapidly and gained market share in China during the Track Record Period.

Notes:

- (1) The market share data includes retail sales value of branded products manufactured at our own factories and by authorized manufacturers from whom we receive trademark and distribution network usage fees. In 2008, 2009 and 2010, the Wholesale Volume of our branded products manufactured at our own factories accounted for 60.5%, 66.7% and 67.3% of the total Wholesale Volume of our branded products for the same periods, respectively, while those manufactured by authorized manufacturers accounted for 37.7%, 31.4% and 30.3%, respectively.
- (2) During the Track Record Period, we manufactured all of our branded laminated flooring and a portion of our branded engineered flooring while all of our branded solid wood flooring and a majority of branded engineered flooring were manufactured by authorized manufacturers. In 2008, 2009 and 2010, the Wholesale Volume of our branded engineered flooring products manufactured at our own factories accounted for 42.6%, 29.9% and 38.9% of the total Wholesale Volume of our branded engineered flooring products for the same periods, respectively, while those manufactured by authorized manufacturers accounted for 57.4%, 70.1% and 61.1%, respectively.

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Product Manufacturing

Through partnering with authorized manufacturers, we can maintain manufacturing flexibility and expand the manufacturing capacity available to us without significant capital expenditures for factory expansion. We also reduce our exposure to inventory backlog and price fluctuations in raw materials and finished products, which are borne by authorized manufacturers relating to the branded products manufactured by them. Our strategy is to continue to expand our network of authorized manufacturers to manufacture an increasing proportion of our branded products across our product portfolio while at the same time selectively expanding and upgrading certain of our own factories in order to maintain a strategic mix of manufacturing capacity. As our products are targeted at customer groups with different purchasing power and various personal and artistic tastes, there is no competition between our different product categories. Instead of focusing on the development of a core product, we aim to expand and diversify our branded product portfolio to capture market opportunities and meet consumer preferences.

Set forth below is the Wholesale Volume of each product category of our branded products for the periods indicated:

	Year Ended December 31,					
	2008		2009		2010	
	Wholesale Volume ⁽¹⁾	% of Total Volume ⁽²⁾	Wholesale Volume ⁽¹⁾	% of Total Volume ⁽²⁾	Wholesale Volume ⁽¹⁾	% of Total Volume ⁽²⁾
	(sq.m. in thousands, except for percentages ⁽³⁾)					
<i>Products manufactured at our own factories⁽⁴⁾</i>						
Laminated flooring	6,967	54.2%	10,561	62.6%	13,915	60.8%
Engineered flooring	812	6.3	687	4.1	1,483	6.5
Subtotal	7,779	60.5	11,248	66.7	15,398	67.3
<i>Products manufactured by authorized manufacturers⁽⁴⁾</i>						
Engineered flooring	1,096	8.5	1,609	9.5	2,333	10.2
Solid wood flooring	3,753	29.2	3,691	21.9	4,604	20.1
Subtotal	4,849	37.7	5,300	31.4	6,937	30.3
<i>Others</i>						
Bamboo flooring, cork flooring and spare parts	233	1.8	314	1.9	541	2.4
Total	12,861	100.0%	16,862	100.0%	22,876	100.0%

Notes:

- (1) Wholesale Volume means the volume of our branded flooring products that we and/or authorized manufacturers, as applicable, sell directly to our exclusive distributors, property development companies and home furnishing supermarkets in China, excluding an immaterial portion of our branded products sold overseas.
- (2) It represents the percentage of the total Wholesale Volume of our branded products manufactured at our own factories and by authorized manufacturers combined.
- (3) Flooring products are sold by square meters. There is no uniform size for the finished product of each product category as each product category may vary in length, width and height.
- (4) During the Track Record Period, we manufactured all of our branded laminated flooring and a portion of our branded engineered flooring while all of our branded solid wood flooring and a majority of branded engineered flooring were manufactured by authorized manufacturers. In 2008, 2009 and 2010, the Wholesale Volume of our branded engineered flooring products manufactured at our own factories accounted for 42.6%, 29.9% and 38.9% of the total Wholesale Volume of our branded engineered flooring products for the same periods, respectively, while those manufactured by authorized manufacturers accounted for 57.4%, 70.1% and 61.1%, respectively.

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Our Brands

Launched in 2001, our self-owned “Nature” (大自然) brand has been successfully positioned with consumers to represent high product quality and product safety as well as health and environmental awareness, which also reflect our core values and form the focus of our brand management and product strategy. Our industry-leading brand has received numerous awards and recognitions. For example, our “Nature” (大自然) brand was the only flooring brand ranked among China’s 100 most valuable brands in 2010, according to the World Brand Laboratory. Leveraging on the success of the “Nature” (大自然) brand, we have introduced four sub-brands under the “Nature” (大自然) umbrella to target different customer segments — “Nature · Woodsbür” (大自然 · 德獅堡), “Nature · No. 1 My Space” (大自然 · 第一空間), “Nature · Aesthetics” (大自然 · 美學館) and “Nature · Yijia” (大自然 · 宜家), which were launched in 2007, 2007, 2008 and 2007, respectively. We believe the history and consumer recognition of the “Nature” (大自然) brand provides us with a significant competitive advantage, both in terms of attracting and retaining authorized manufacturers and exclusive distributors and of driving end market consumer demand.

Distribution Network

Our branded products are sold primarily to retail consumers in China through an extensive nationwide distribution network of exclusive distributors and Retail Stores. As of December 31, 2010, our nationwide distribution network comprised over 2,100 exclusive distributors and 2,900 Retail Stores covering over 1,600 cities located in all of China’s provinces and autonomous regions, including all 31 provincial capital cities and municipalities and over 260 district-level cities, as well as over 1,300 county-level cities, throughout China. According to Frost & Sullivan, as of December 31, 2010, we managed the largest wood flooring product distribution network in China in terms of the number of retail stores. Our distribution network is closely managed and supported by our sales team, which consisted of approximately 370 full-time sales representatives as of December 31, 2010.

Branding Strategy

We believe our comprehensive branded product portfolios in the industry provides us with a competitive advantage in attracting distributors and retail consumers. As of December 31, 2010, our branded product portfolio consisted of over 1,000 product SKUs, covering the five most popular wood flooring categories in China (laminated flooring, engineered flooring, solid wood flooring, bamboo flooring and cork flooring) and targeting multiple customer segments across a wide range of price points. In 2010, the Wholesale Volume⁽¹⁾ of our branded laminated flooring, engineered flooring and solid wood flooring, each including products manufactured at our own factories and those manufactured by authorized manufacturers, accounted for 60.8%, 16.7%, and 20.1% of the total Wholesale Volume of our branded products, respectively. We have a proven track record of strong product development and innovative product design, which we believe differentiates us from our competitors. During the Track Record Period, we introduced over 100 new product SKUs to the

Note:

- (1) Wholesale Volume means the volume of our branded flooring products that we and/or authorized manufacturers, as applicable, sell directly to our exclusive distributors, property development companies and home furnishing supermarkets in China, excluding an immaterial portion of our branded products sold overseas.

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market each year, including developing and launching innovative new product types that lead the market. For example, we were one of the first companies in China to develop and launch eco flooring with 40 product SKUs in 2008. We also developed creative-style flooring with 200 product SKUs in 2009 and anion-zero-carbon flooring with 50 product SKUs in 2010.

Forestry Management and Harvesting

We began to selectively acquire strategic upstream forest assets in 2009 to secure reliable sources of timber. We acquired the rights to harvest approximately 46,347 hectares of standing timber located in Peru in December 2009 at a consideration of approximately RMB19.0 million. We completed the acquisition of standing trees and related concession rights in approximately 4,445 hectares of forests located in Yunnan Province, China in 2010 at a consideration of approximately RMB41.5 million. We recorded net change in fair value of our forest assets in Yunnan and Peru in 2009 and 2010, which was primarily due to the fair valuation of the Yunnan and Peru forest assets conducted by Pöyry being higher than the consideration that we paid for the acquisition, which was determined through arm's length negotiation with the vendors based on the factors such as the suitability of the timber for wood flooring and the demand for wood flooring products made of such timber rather than market valuation.

Set forth below is certain information relating to the net change in fair value of our forest assets for the periods indicated:

	For the Year Ended December 31,		
	2008	2009	2010
	(RMB in thousands, except for percentages)		
Net change in fair value of biological assets	—	81,869	106,798
As a percentage of profit from operations	—	24.6%	24.1%

As of December 31, 2010, we owned standing trees and related concession rights in 4,445 hectares and 46,347 hectares of forests in Yunnan Province, China and Loreto Province, Peru, respectively. These forests contain several species of trees which are used in premium solid wood flooring products, such as jatoba (學葉蘇木) and cumaru (二翅豆). We expect our investment in forest assets to help ensure a more stable supply of high-quality timber for authorized manufacturers in connection with their manufacturing of our branded solid wood flooring products, through which we hope to reinforce the loyalty of authorized manufacturers and better assure we receive stable fees from authorized manufacturers.

We plan to start the commercial logging of our forests in Yunnan and Peru in the second half of 2011 and by the end of June 2011, respectively. We will engage independent third-party local contractors to manage the logging, transporting and handling of the logistic activities for both our Yunnan and Peru forests. We are in close discussion with an independent third-party local contractor, who has several years of experience in conducting local logging activities, to engage it as our operator for our Peru forest. We have no prior experience in managing forest assets. To ensure our forest assets will be run in an effective and efficient manner, we have recruited a team of three experienced in-house

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forest engineers for each of our Yunnan and Peru forests. The team of in-house forest engineers have an average experience of 20 years in Yunnan and 15 years in Peru forestry sectors, respectively. The team of in-house forest engineers will manage and monitor day-to-day operation as well as compliance matters for our Yunnan and Peru forests. We believe that our internal plan with respect to both forests will help us adequately maintain effective and sustainable forestry operations. In this regard, we will follow all reforestation requirements set forth in any relevant logging permits required for commercial logging in both forests, as well as any required management or operational plans.

Trading Business

We also engage in trading of timber and flooring products. For flooring trading, our wholly-owned subsidiary located in the U.S., Nature Flooring Industries, Inc., purchases laminated flooring, engineered flooring and solid wood flooring from our own factories, authorized manufacturers and other flooring manufacturers, and then sells these products under our brands to customers in overseas market. Our trading business allows us to expand the distribution of our branded flooring products overseas. For timber trading, we purchase timber from overseas timber dealers and sell the timber to various customers in China, including authorized manufacturers of our branded products and other wood products manufacturers. While the timber trading business is only a complementary part of our business, we believe it is important for us to secure reliable sources of timber for ourselves and authorized manufacturers. We began to acquire strategic upstream forest assets in Yunnan and Peru in 2009 to secure reliable sources of timber. Once we begin commercial logging and harvesting the timber, we expect the sales volume and revenues from our timber trading operation will decrease because we will rely less on outside sourcing of timber purchased from overseas timber dealers while increasingly relying on our own timber sources.

Financial Performance

During the Track Record Period, our revenues increased from RMB885.4 million in 2008 to RMB1,623.9 million in 2010, our profit from operations increased from RMB203.4 million in 2008 to RMB442.9 million in 2010, and our profit attributable to equity shareholders of the Company increased from RMB146.0 million in 2008 to RMB340.1 million in 2010, representing a CAGR of 35.4%, 47.6% and 52.6%, respectively.

Strengths

The following strengths have enabled us to become a leading wood flooring brand in China:

- Largest wood flooring brand, well positioned to strengthen our leading position in China's rapidly growing wood flooring market
- Industry-leading brand provides a significant competitive advantage
- Nationwide, exclusive distribution network supported by strong sales and marketing capabilities
- Comprehensive branded product portfolio supported by strong product development capabilities
- Effective use of authorized manufacturers enhances production flexibility and capital efficiency

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- Experienced and dedicated management team with extensive experience in the flooring industry

Strategies

We aim to strengthen our leading position in China's wood flooring market through the following strategies:

- Continue to invest in and strengthen our brand
- Continue to expand our distribution network and enhance our support for and management of our distributors
- Continue to expand and diversify our branded product portfolio to capture market opportunities and meet consumer preferences
- Continue to optimize our resources, supply chain management and our manufacturing capabilities
- Selectively expand into complementary product lines that can leverage our brand and network
- Selectively acquire strategic forest assets and pursue other acquisition and investment opportunities

Our Industry

According to Frost & Sullivan, China's flooring market has grown rapidly, but it is still at an early stage of development and remains significantly under penetrated, with approximately 71.0% of China's total available floorspace of 55.3 billion sq.m. not covered by any flooring products in 2009. The uncovered floorspace percentage is expected to decrease to 65.9% by 2014 as the penetration of flooring products continues. As of the end of 2009, wood flooring products were the second largest flooring product category in China, accounting for 10.0% of total installed floorspace and forecasted to increase to 16.4% by the end of 2014. Driven by changing consumer preferences, higher disposable income and improving living standards, wood flooring products have become increasingly popular.

As of the end of 2009, China's wood flooring market was the world's largest wood flooring market in terms of both retail sales volume and retail sales value of wood flooring. China's wood flooring market is primarily a consumer and retail driven market, where 90.0% of the retail sales volume was sold through retail stores in 2009. According to Frost & Sullivan, China's wood flooring market has the following key characteristics:

- brand is the most important consideration for retail consumers in purchasing wood flooring;
- retail stores are the primary sales channel for wood flooring products;
- retail consumers continue to drive market demand for wood flooring products; and
- fragmented market with increasing industry consolidation.

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The annual retail sales value of China's wood flooring products reached RMB47.8 billion in 2009, representing a CAGR of 14.2% from 2005 to 2009 and is expected to grow at a CAGR of 19.3% from 2009 to 2014. The key drivers of growth are:

- rising disposable income of Chinese consumers;
- continued urbanization driving increased demand for housing;
- PRC government support and initiatives in housing;
- increasing renovation activities; and
- consumer preferences driving increasing penetration of wood flooring.

China's wood flooring market is comprised primarily of three key product segments: laminated flooring, engineered flooring and solid flooring. According to Frost & Sullivan, solid wood flooring has been the largest product segment in terms of retail sales value during the past five years and laminated flooring is expected to become the largest product segment in China's wood flooring market by 2014. According to Frost & Sullivan, in 2009, "Nature" (大自然) branded products ranked second in laminated flooring with a 7.2% market share, first in multi-layered engineered flooring with a 5.3% market share and first in solid wood flooring with a 7.4% market share, in terms of retail sales value in China.⁽¹⁾ See "Business — Our Branded Products."

Note:

- ⁽¹⁾ During the Track Record Period, we manufactured all of our branded laminated flooring and a portion of our branded engineered flooring while all of our branded solid wood flooring and a majority of branded engineered flooring were manufactured by authorized manufacturers. In 2008, 2009 and 2010, the Wholesale Volume of our branded engineered flooring products manufactured at our own factories accounted for 42.6%, 29.9% and 38.9% of the total Wholesale Volume of our branded engineered flooring products for the same periods, respectively, while those manufactured by authorized manufacturers accounted for 57.4%, 70.1% and 61.1% of the total Wholesale Volume of our branded engineered flooring products, respectively.

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Summary Historical Financial Information

The summary historical consolidated statements of comprehensive income data for the years ended December 31, 2008 and 2009 and 2010 and the summary historical consolidated balance sheets data at December 31, 2008, 2009 and 2010 set forth below have been prepared in accordance with IFRS and have been derived from the Accountants' Report included in Appendix I to this prospectus. You should read the summary historical financial information below in conjunction with "Appendix I — Accountants' Report" including the notes thereto.

Consolidated Statement of Comprehensive Income

	For the Year Ended December 31,					
	2008		2009		2010	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except percentages and earnings per share)					
Revenues	885,409	100.0%	990,462	100.0%	1,623,908	100.0%
Cost of sales	(545,815)	(61.6)	(631,835)	(63.8)	(1,116,205)	(68.7)
Gross profit	339,594	38.4	358,627	36.2	507,703	31.3
Other net income	400	—	749	0.1	7,976	0.5
Net change in fair value of biological assets	—	—	81,869	8.3	106,798	6.6
Distribution costs	(59,352)	(6.7)	(55,674)	(5.6)	(95,798)	(5.9)
Administrative expenses	(76,428)	(8.6)	(50,134)	(5.1)	(81,066)	(5.0)
Other operating expenses	(809)	(0.1)	(2,644)	(0.3)	(2,727)	(0.2)
Profit from operations	203,405	23.0	332,793	33.6	442,886	27.3
Finance income	4,069	0.5	4,096	0.4	2,823	0.2
Finance costs	(50,970)	(5.8)	(74,866)	(7.5)	(42,017)	(2.6)
Net finance costs	(46,901)	(5.3)	(70,770)	(7.1)	(39,194)	(2.4)
Profit before taxation	156,504	17.7	262,023	26.5	403,692	24.9
Income tax	(10,540)	(1.2)	(38,197)	(3.9)	(63,555)	(4.0)
Profit attributable to equity shareholders of the Company for the year	145,964	16.5	223,826	22.6	340,137	20.9
Earnings per share:						
Basic (RMB)	2.32	—	3.20	—	3.78	—
Diluted (RMB)	2.17	—	2.73	—	3.31	—
Profit for the year	145,964	16.5	223,826	22.6	340,137	20.9
Other comprehensive income for the year						
Exchange differences on translation of financial statements of entities outside the PRC	11,349	1.3	(1,928)	(0.2)	(1,721)	(0.1)
Total comprehensive income attributable to equity shareholders of the Company for the year	157,313	17.8%	221,898	22.4%	338,416	20.8%

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Consolidated balance sheets

	At December 31,		
	2008	2009	2010
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	210,204	371,369	354,960
Intangible assets	—	165	622
Lease prepayments	58,144	61,754	67,672
Biological assets	—	100,848	246,211
Investments in equity securities	—	—	15,200
Other receivables	46,380	14,028	3,237
Deferred tax assets	—	8,535	6,739
Total non-current assets	<u>314,728</u>	<u>556,699</u>	<u>694,641</u>
Current assets			
Inventories	218,855	339,013	279,636
Trade and other receivables	377,263	465,737	564,298
Pledged deposits	17,543	22,389	43,462
Cash and cash equivalents	104,133	200,075	297,652
Total current assets	<u>717,794</u>	<u>1,027,214</u>	<u>1,185,048</u>
Current liabilities			
Trade and other payables	150,329	285,216	193,387
Loans and borrowings	15,000	597,176	183,458
Obligations under finance leases	2,096	—	—
Income tax payables	5,571	6,275	18,796
Total current liabilities	<u>172,996</u>	<u>888,667</u>	<u>395,641</u>
Net current assets	<u>544,798</u>	<u>138,547</u>	<u>789,407</u>
Total assets less current liabilities	<u>859,526</u>	<u>695,246</u>	<u>1,484,048</u>
Non-current liabilities			
Loans and borrowings	490,645	68,311	103,481
Deferred tax liabilities	—	29,818	38,300
Total non-current liabilities	<u>490,645</u>	<u>98,129</u>	<u>141,781</u>
Net assets	<u>368,881</u>	<u>597,117</u>	<u>1,342,267</u>
Capital and reserves			
Share capital	490	490	775
Reserves	368,391	596,627	1,341,492
Total equity	<u>368,881</u>	<u>597,117</u>	<u>1,342,267</u>

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Profit Forecast for the Six Months Ending June 30, 2011

In the absence of unforeseen material circumstances and on the bases and assumptions set out in “Appendix III — Profit Forecast” to this prospectus, the Directors forecast that our consolidated profit attributable to equity shareholders of the Company for the six months ending June 30, 2011 will be not less than RMB81 million. For the consolidated profit attributable to equity shareholders of the Company, we have estimated the fair value gain of biological assets to be nil for the Profit Forecast Period, because the Directors are of the view that the key parameters are not expected to change or will have immaterial impact on fair value during the Profit Forecast Period. We expect no changes, or changes will have immaterial impact on fair value, in terms of discount rate, log prices and operational costs. Furthermore, because our forests in Peru and Yunnan are mature trees, there is limited room for growth during the Profit Forecast Period. Therefore, we expect immaterial change in timber volume.

We have undertaken to the Hong Kong Stock Exchange that our interim financial report for the six months ending June 30, 2011 will be audited pursuant to Rule 11.18 of the Listing Rules. Set forth below is certain forecasted data for our Company for the six months ending June 30, 2011, which should be read in conjunction with Appendices II and III to this prospectus:

Forecast consolidated profit attributable to equity shareholders of the Company ⁽¹⁾	not less than RMB81 million
Unaudited pro forma forecast earnings per Share ^{(2) (3)}	not less than RMB0.05 (approximately HK\$0.06)

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared are summarized in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity shareholders of the Company for the six months ending June 30, 2011 and assuming that a total number of 1,493,339,990 Shares were in issue during the six months ending June 30, 2011.
- (3) The unaudited pro forma forecast earnings per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8509 to HK\$1.00, the prevailing rate quoted by PBOC on December 31, 2010. You should not construe such conversion as a representation that the RMB amounts could actually be converted into HK dollar amounts as the rate indicated, or at all.

Offering Statistics

	<u>Based on an Offer Price of HK\$2.95</u>	<u>Based on an Offer Price of HK\$4.20</u>
Market capitalization of our Shares ⁽¹⁾	HK\$4,405.4 million	HK\$6,272.0 million
Pro forma adjusted net tangible asset value per Share ⁽²⁾	HK\$1.73	HK\$2.03

Notes:

- (1) The calculation of market capitalization is based on 1,493,339,990 Shares, assuming no exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” to this prospectus and on the basis that 1,493,339,990 Shares are in issue following the Global Offering (including the effect of the conversion of the Preferred Shares) but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8509 to HK\$1.00, the prevailing rate quoted by PBOC on December 31, 2010. You should not construe such conversion as a representation that the RMB amounts could actually be converted into HK dollar amounts as the rate indicated, or at all.

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Global Offering

The Global Offering comprises:

- (1) the Hong Kong Public Offering of 37,334,000 Shares (subject to adjustment) in Hong Kong; and
- (2) the International Offering of 336,006,000 Shares (subject to adjustment and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act.

Investors may apply for Shares under the Hong Kong Public Offering or apply for or indicate an interest for Shares under the International Offering, but may not do both. References in this prospectus to applications, application forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

Our History and Development

The history of our “Nature” (大自然) brand can be traced back to 2001 when Mr. She Chang (佘昌), the father of one of our co-founders, Mr. Se Hok Pan (佘學彬), created the “Nature” (大自然) brand and a network of distributors in Shunde, Guangdong Province, China for his solid wood flooring business. In October 2004, our co-founders, Mr. Se Hok Pan and Ms. Un Son I, established Zhongshan Nature, which subsequently became our wholly-owned subsidiary. Our first factory for laminated flooring commenced operation in April 2005.

In 2007, we began the Reorganization to streamline the structure of our Group, whereby Mr. Se Hok Pan and Ms. Un Son I transferred, directly or through the companies owned by them, their respective interests in our then subsidiaries to our Company. The Reorganization was completed on May 8, 2008 and our Company became the holding company of our Group.

On May 8, 2008, we issued to MS Flooring the MS Convertible Notes at a consideration of US\$50 million and one Special Share at the nominal consideration of US\$0.001. On May 29, 2008, we issued to IFC the IFC Convertible Notes at a consideration of US\$20 million.

In March 2009, Mr. Se transferred 8.69% of the shares in Freewings to Mr. She Jian Bin at nil consideration as a gift to his family member.

The Special Share gives MS Flooring no rights other than the right to vote at shareholders meetings of our Company with respect to certain specified reserved matters. MS Flooring and IFC were also given customary minority shareholders’ rights, such as pre-emptive rights, anti-dilution adjustments, tag-along rights, restrictions on transfer, reserved matters, information rights and minority protection rights. In addition, our Company and the Controlling Shareholders provide certain indemnities to MS Flooring and IFC, including in relation to undisclosed liabilities of our Group,

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liability of our Directors who are appointed by MS Flooring and IFC, and tax and any other losses suffered by MS Flooring or IFC in their capacity as our Shareholders prior to the Global Offering, and the obligations of our Company under the Shareholders' Agreement and related documents are guaranteed by the Controlling Shareholders. The rights granted to MS Flooring and IFC will be terminated upon completion of the Global Offering except for certain rights. Such rights do not give any preferential treatment to MS Flooring and IFC in respect of non-public price sensitive information. For details of such rights, see "History and Development — Investment by MS Flooring, IFC and Headland HAV3."

On June 30, 2010, both MS Flooring and IFC elected to convert all of their Convertible Notes into Preferred Shares and, as a result of certain financial performance targets under the Shareholders' Agreement not being met in respect of the consolidated net income of our Group for the years ended December 31, 2008 and December 31, 2009, Freewings transferred 298,212 Shares to MS Flooring and 119,285 Shares to IFC at a consideration of US\$1 in each case. Prior to completion of the Global Offering, MS Flooring and IFC will convert all of the outstanding Preferred Shares into 29,999,999 Shares and 12,000,000 Shares, respectively. As a result of certain financial performance targets being met in respect of the consolidated net income of our Group for the year ended December 31, 2010, MS Flooring and IFC will, prior to the completion of the Global Offering, transfer 3,298,212 Shares and 1,319,285 Shares, respectively to Freewings, at a consideration of US\$1 in each case, so that, immediately prior to completion of the Global Offering and the Capitalization Issue, MS Flooring and IFC will hold 26,999,999 Shares and 10,800,000 Shares, respectively. Upon conversion of the outstanding Preferred Shares in full, in accordance with their terms, our Company will redeem and cancel the Special Share for a redemption price equal to the par value of the Special Share, being US\$0.001.

Freewings transferred 2,307,827 Shares to Headland HAV3 on September 30, 2010 at a consideration of RMB80 million. Following completion of the Global Offering, Freewings will pay to Headland HAV3 an amount of RMB2,999,232, as a result of certain financial performance targets under the Headland HAV3 SPA not being met in respect of the consolidated net income of our Group for the year ended December 31, 2010. If the pre-money valuation of our Company at the time of the Global Offering falls below Headland HAV3's implied valuation of our Company at the time of its investment, Freewings will pay to Headland HAV3 an additional amount to be calculated in accordance with the terms of the Headland HAV3 SPA.

For further details of our history and reorganization and the investment by MS Flooring, IFC and Headland HAV3, please refer to the section headed "History and Development — Investment by MS Flooring, IFC and Headland HAV3" to this prospectus.

Dividends

At December 31, 2008 and 2009 and 2010, we had a reserve of RMB371.9 million, RMB271.2 million and RMB867.8 million, respectively, available for distribution to equity shareholders of our Company.

We did not declare or pay any dividend during the years ended December 31, 2008 and 2009. On June 24, 2010, our Board declared the payment of dividends on our Shares of RMB63.1 million

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and dividends on our Preferred Shares of RMB37.8 million. The declaration of such dividends was approved by our shareholders on June 30, 2010 and the dividends were paid to the shareholders of our Shares and Preferred Shares in July 2010. On December 9, 2010, our shareholders approved and our Board declared the payment of dividends on our Shares of RMB62.3 million and dividends on our Preferred Shares of RMB37.4 million, respectively, both of which were paid in December 2010. The aggregate dividend payment in 2010 in the amount of RMB200.6 million was paid out of our distributable reserves of RMB867.8 million.

Use of Proceeds

We estimate the net proceeds from the Global Offering accruing to us, after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming an Offer Price of HK\$3.58, being the mid-point of the proposed Offer Price range of HK\$2.95 to HK\$4.20 to be approximately HK\$1,235.6 million (assuming that Over-allotment Option is not exercised).

We intend to use the net proceeds from the Global Offering in the following manner:

- approximately 20% of the net proceeds, or HK\$247.1 million, to develop our existing brands and to further strengthen and promote the image and recognition of our current and future brands. This may include expenditures on marketing and advertisement (through TV, magazines, newspapers, outdoor, internet, and other forms of media), promotional campaigns, establishment of distribution training and after sales service center and potential acquisitions or development of new brands, which as of the Latest Practicable Date had not yet been identified;
- approximately 22% of the net proceeds, or HK\$271.8 million, to further expand and strengthen our distribution network for our existing products, and possibly acquire other distribution network for new products, of which (i) approximately 20% or HK\$54.4 million, will be used to establish and invest in flagship retail stores for our flooring products; (ii) approximately 40% or HK\$108.7 million, will be used to establish and invest in retail stores for new product lines; and (iii) approximately 40% or HK\$108.7 million, will be used to establish and invest in overseas distribution network;
- approximately 15% of the net proceeds, or HK\$185.3 million, to fund capital expenditures, of which (i) approximately 18% or HK\$33.4 million, will be used to upgrade and expand our existing production facilities in Guangdong Yingran and Jiangxi Yingran for laminated flooring products; and (ii) approximately 82% or HK\$151.9 million, will be used to build new production facilities in Zhangjiagang Nature and Jiangxi Nature for new product lines such as wood doors, wardrobes and cabinets. We expect that the above capital expenditure plan will be completed in the next three years, although the detailed expansion plan may be adjusted depending on our production needs;
- approximately 23% of the net proceeds, or HK\$284.2 million, for strategic merger and acquisition opportunities (such as forest assets, products, brands and others that are

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complementary to our business), if we identify suitable target companies, businesses, assets or opportunities. However, we currently do not have any specific merger or acquisition targets;

- approximately 10% of the net proceeds, or HK\$123.6 million, to expand our product portfolio through in-house development of new products and/or acquisitions of products that are complementary to our portfolio; and
- approximately 10% of the net proceeds, or HK\$123.6 million, for additional working capital and general corporate purposes.

In the event that the Offer Price is fixed at HK\$4.20 per Share, being the high-end of the indicative price range, the net proceeds will increase by approximately HK\$222.8 million. In such circumstances, we intend to apply the additional proceeds for the above purposes proportionally.

In the event that the Offer Price is fixed at HK\$2.95 per Share, being the low-end of the indicative price range, the net proceeds will reduce by approximately HK\$226.4 million. In such circumstances, we intend to reduce the application of the proceeds for the above purposes proportionally.

We will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, after consultation with the Joint Bookrunners as part of the Global Offering. If the Over-allotment Option is exercised in full, we estimate that the aggregate net proceeds to the Global Offering (after deducting underwriting commissions and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$3.58 per Share, will be approximately HK\$1,428.5 million. In the event that the Offer Price is determined at the low-end and high-end of the indicative Offer Price range, assuming a full exercise of the Over-allotment Option, the net proceeds from the Global Offering will be approximately HK\$1,168.2 million and HK\$1,684.7 million, respectively. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes proportionally.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we currently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted on December 16, 2008, and subsequently amended on June 30, 2010 and April 26, 2011, for the purpose of incentivizing the employees of Group. The outstanding options granted under the Pre-IPO Share Option Scheme involve 3,231,543 Shares (pre-Capitalization Issue and the Global Offering) or 32,315,430 Shares (post-Capitalization Issue and the Global Offering), representing approximately 2.16% of the issued share capital of our

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Company immediately after the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised). Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the six months ending June 30, 2011 and that 1,525,655,420 Shares, comprising 1,493,339,990 Shares to be in issue immediately upon the Global Offering and 32,315,430 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the six months ending June 30, 2011, but not taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option, there will be a dilution effect of approximately 1.85% on the pro-forma forecast earnings per Share for the six months ending June 30, 2011 from RMB0.054 to RMB0.053.

The options granted under the Pre-IPO Share Options Scheme represent approximately 2.16% of the enlarged issued share capital of our Company immediately after the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised). If all the options are exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 2.12%.

An amount of HK\$1.00 (or any equivalent amount in RMB) is payable by the option-holder upon acceptance of the grant of options.

We have applied for, and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under the Hong Kong Companies Ordinance, and a waiver from the Hong Kong Stock Exchange from strict compliance with the disclosure requirements from the Listing Rules in connection with the information of the options granted under the Pre-IPO Share Option Scheme on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and would be of little significance or relevance to potential investors.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives and reward the employees, directors, customers and suppliers of our Group, business or joint venture partners and certain advisors to our Group and their respective employees. See “Appendix IX — Statutory and General Information — Share Option Schemes — Share Option Scheme.”

Risk Factors

There are certain risks relating to an investment in the Offer Shares. The particular risks in investing in the Offer Shares are further described in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Risks Relating to Our Business

- Significant disruptions to the operations of authorized manufacturers could materially and adversely affect our business, financial condition and results of operations.

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- We are subject to reputational risks related to the manufacturing of our branded products by authorized manufacturers.
- Any disruption in our relationship with authorized manufacturers could adversely affect our business.
- There may be competition between us and authorized manufacturers in selling our branded products.
- We rely on our “Nature” (大自然) flagship brand and sub-brands. If we fail to manage our brands effectively, our business, result of operations and growth prospects could be materially and adversely affected.
- We rely on our distributors for the sale of our branded products. If we fail to manage our distributors effectively, our reputation, business, financial condition and results of operations could be materially and adversely affected.
- The loss of, or the deterioration of relationships with, our distributors could significantly harm our revenue and results of operations.
- Disruptions in our supply of raw materials could materially and adversely affect our business, financial condition and results of operations.
- Higher raw materials prices may affect our financial performance.
- Our branded products may fail to perform as expected or contain defects, and these failures or defects, and any negative publicity or product liability claims which may result, could materially and adversely affect our business, financial condition and results of operations.
- We may not be able to accurately anticipate or timely respond to changes in consumer tastes and preferences for wood flooring products.
- Our failure to adequately protect our intellectual property rights or any infringement claims against us brought by third parties may have a material and adverse effect on our business, financial condition and/or results of operations.
- Our operations may be materially and adversely affected by environmental regulations.
- Our operations rely on a continuous power supply and any shortages or interruptions could disrupt our operations and increase our expenses.
- We are subject to the risks associated with our manufacturing activities.
- We are subject to certain risks associated with the transportation and warehousing of our branded products.
- Any inability to renew or secure new forest concessions upon their expiration or termination could affect the stability of the timber supply for our business.

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- Our planned commercial logging activities are subject to regulatory approvals, restrictions and uncertainties.
- Changes in fair value of our forest assets could result in significant fluctuations in our profit from operations.
- We may face increased costs for new forest acquisitions.
- We face risks associated with the overseas sale of wood flooring products as well as the overseas purchase of timber, and if we are not able to effectively manage these risks, our trading business will be materially and adversely affected.
- We may not be able to obtain external financing in time or on terms acceptable to us for our capital expenditure and other corporate needs, which could limit our ability to grow our business.
- Our insurance coverage may not be sufficient to cover the risks related to our operations and losses.
- We may not continue to enjoy certain favorable PRC governmental policies.
- We may fail to develop and implement our growth strategy or effectively manage our growth, which would in turn have a material and adverse effect on our business and results of operations.
- We may encounter difficulties when expanding into new markets and new product lines.
- We may encounter difficulties in expanding into the upstream forestry management and harvesting business, which may adversely affect our results of operations and financial condition.
- We and authorized manufacturers may experience a shortage of labor, an increase in labor costs and be exposed to labor disputes, which would have a material and adverse effect on our business and results of operations.
- We may not be able to derive the desired benefits from our product development efforts.
- We may be required to seek alternative premises for some of our warehouses, production facilities, offices or staff canteen due to our or our landlords' lack of relevant title certificates.
- Our information technology systems are important to our operations. A system failure or breakdown may cause interruptions of our business and operation.
- Our success depends on the continuing efforts of our senior management team and other key personnel and on our ability to successfully attract, train and retain additional key personnel.
- We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

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Risks Relating to the Industry in Which We Operate

- Changes in the market demand for wood flooring products could materially and adversely affect our business, financial condition and results of operations.
- Our results of operations may vary throughout the year as a result of seasonal demand for our products.
- Our industry experiences intense competition.

Risks Relating to Doing Business in China

- China's economic, political and legal conditions, as well as governmental policies, could affect our business, financial condition and results of operations.
- Uncertainties presented by the PRC legal system could limit the legal protections available to us and to our investors, which may have a material and adverse effect on our business and results of operations.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.
- We rely partially on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitations on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.
- Government control over currency conversion may limit our ability to issue dividends to our shareholders in foreign currencies, and may, therefore, adversely affect the value of your investment.
- Fluctuations in the value of the Renminbi may have a material and adverse effect on your investment.
- The M&A Rule may make it more difficult for us to make future acquisitions or dispositions of our business operations or assets in China.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.
- A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC citizens may subject such employees or us to fines and other legal or administrative sanctions.
- Under the EIT Law, we may be considered a PRC "resident enterprise." As a result, we may be subject to 25% PRC income tax on our worldwide income, and holders of our

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Shares may be subject to PRC tax on dividends paid by us and gains realized on their transfer of Shares.

- Dividends to be paid by our PRC subsidiaries to our Hong Kong subsidiaries may not qualify to enjoy the preferential withholding tax treatment under the relevant treaty due to significant uncertainties under the EIT Law and related rules.
- Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material and adverse effect on our business, financial condition and results of operations.
- We cannot guarantee the accuracy of facts and statistics derived from PRC official government publications with respect to China, China's economy and the its wood flooring industry contained in this prospectus, and investors should not place undue reliance on them.

Risks Relating to the Global Offering

- There has been no prior public market for the Shares; the liquidity and market price of the Shares may be volatile, and the Offer Price may not be indicative of prices that will prevail in the trading market.
- Future sales or perceived sales of a substantial number of our Shares in public markets could have a material and adverse effect on the prevailing market price of our Shares; you will experience dilution if we issue additional Shares in the future.
- Because the Offer Price is higher than the net tangible book value per Share, you will experience immediate dilution in the book value of the Shares purchased by you.
- You should read the entire prospectus carefully and should not place any reliance on any information contained in press articles or other media.