You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. You should also pay particular attention to the fact that we conduct a majority of our operations in the PRC and own certain forest assets in China and Peru and are governed by legal and regulatory systems which may differ from which that prevails in other countries. For more information concerning the PRC and Peruvian legal and regulatory systems and certain related matters discussed below, see "Appendix VIII — Summary of Principal PRC and Peruvian Legal and Regulatory Provisions." You should read those sections 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.

Our branded products are manufactured through a combination of our own factories and exclusive authorized manufacturers. 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, respectively, while those manufactured by authorized manufacturers accounted for 37.7%, 31.4% and 30.3% of the total Wholesale Volume of our branded products for the same periods, respectively. See "Business — Our Branded Products." In addition, we added two joint venture authorized manufacturers in January 2011 to manufacture our branded laminated flooring which commenced operations in April 2011. See "Business — Manufacturing — Authorized Manufacturing Network." Authorized manufacturers manufacture only our branded products and must sell the products exclusively to distributors in our distribution network, for which we charge trademark and distribution network usage fees. Authorized manufacturers operate independently from us, although we provide technical and logistics support and conduct periodic quality control checks. 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. As we grow our business, we plan to expand our network of authorized manufacturers to manufacture an increasing proportion of our branded products across our 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.

Fees we charge authorized manufacturers are based on their production volume, production capacity, sales volume and revenues of our branded products. Therefore, if authorized manufacturers experience significant disruptions to their operations, they may not be able to maintain or increase their production volume or capacity, or they may suffer a significant reduction in their output and sales, any of which could in turn materially and adversely affect our revenue, overall business, financial condition and results of operations. During the Track Record Period, we replaced one underperforming authorized manufacturer and one authorized manufacturer which closed its business. See "Business — Manufacturing — Authorized Manufacturing Network." The factors that may disrupt the operations of authorized manufacturers (as well as our own production facilities) include:

- disruptions in raw material supply and increases in raw material prices, particularly timber;

- significant defaulted payments from their customers;
- shortages or interruptions of power supply;
- operational risks relating to the production of wood flooring products;
- restrictions or requirements imposed by increasingly stringent environmental regulations or policies; and
- failure to obtain financing on commercially favorable or acceptable terms, or at all.

In addition, any other risk described in this section relating to the operations of our own factories may also affect the operations of authorized manufacturers, which in turn could have a material and adverse effect on our business.

Furthermore, significant disruptions to the operations of authorized manufacturers could adversely affect their payment abilities. We generally grant authorized manufacturers payment terms of 120 to 180 days. The delay between the time our fee is generated and when it is collected may expose us to risks of negative developments in the payment abilities of authorized manufacturers. If authorized manufacturers experience significant disruptions in their operations during the delay, they may not able to pay us fees on time or at all, as a result of which we may incur direct losses, and our business, financial condition and results of operations may be materially and adversely affected.

We are subject to reputational risks related to the manufacturing of our branded products by authorized manufacturers.

All products manufactured by authorized manufacturers are labeled with our trademarks. Therefore, our reputation may be adversely affected if these products contain defects, fail to satisfy applicable contractual or regulatory requirements or specifications, or otherwise result in product liability or other types of litigation or proceedings against authorized manufacturers or us. In addition, because products manufactured by authorized manufacturers are sold exclusively to distributors in our distribution network, who in turn primarily sell these products to retail consumers through the Retail Stores, the occurrence of any of the foregoing could make our distribution network less attractive to potential distributors as well as adversely affect the loyalty of existing distributors. We cannot assure you that our quality control measures with respect to products manufactured by authorized manufacturers will always be effective. If the products manufactured by authorized manufacturers bearing our trademarks have defects or otherwise do not meet our quality control standards, our reputation and brand image would be materially and adversely affected.

Any disruption in our relationship with authorized manufacturers could adversely affect our business.

Our business model and growth strategy substantially depend on the use of authorized manufacturers. As of December 31, 2008, 2009 and 2010, we had relationships with six, eight and ten (excluding the two joint venture authorized manufacturers which were added in January 2011 and commenced operations in April 2011) authorized manufacturers, respectively. Our agreements with authorized manufacturers typically have a one-year term and contain various requirements relating to, among others, product quality and brand protection. If our relationships with existing authorized manufacturers suffer or the relevant agreements are not renewed upon expiration or terminated by us due to a material breach by authorized manufacturers, we will have to find suitable replacement authorized manufacturers. However, we may not be able to find suitable authorized manufacturers on a timely basis or at all and may require substantial time and expense to qualify such authorized manufacturers. In addition, our strategy of partnering with additional authorized manufacturers to manufacture an increasing proportion of our branded products across our portfolio will increase our reliance on authorized manufacturers.

There may be competition between us and authorized manufacturers in selling our branded products.

During the Track Record Period, both we and authorized manufacturers manufactured our branded engineered flooring products. 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. The two joint venture authorized manufacturers which commenced operations in April 2011 manufacture our branded laminated flooring. As authorized manufacturers are obligated to sell our branded products to our exclusive distributors to whom we sell products manufactured at our own factories, there may be competition between us and authorized manufactures in selling products to the same group of distributors. Such competition may relate to, among other factors, the pricing of the products.

We rely on our "Nature" (大自然) flagship brand and sub-brands. If we fail to manage our brands effectively, our business, results of operations and growth prospects could be materially and adversely affected.

All of the flooring products manufactured by us and authorized manufacturers are marketed and sold under our flagship brand "Nature" (大自然) or sub-brands "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). As a result, our business substantially depends on our ability in managing our brands to increase brand recognition, protect brand identity and enhance overall brand image. Our success in effectively managing our brands depends on a number of factors, including:

- the success of our advertising and other marketing activities;
- our ability to protect our brand from counterfeit products sold using our brand name;
- our ability to manage our distributors and Retail Stores that they operate; and
- our ability to manage the quality of our branded products manufactured at our own factories and by authorized manufacturers.

According to Frost & Sullivan, brand is the most important consideration for China's retail consumers in purchasing wood flooring products. If our brand management efforts are not consistently effective, for example, or if we fail to manage the quality of our branded products or our manufacturing process in accordance with our standard and applicable regulations, the market recognition and acceptance of our branded products may deteriorate, and authorized manufacturers and distributors may terminate or choose not to renew their agreements or relationships with us, which in turn could adversely affect our sales volume, results of operations and growth prospects.

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.

Our branded products are manufactured at our own factories and by authorized manufacturers and are primarily sold to our distributors on a wholesale basis, who in turn primarily sell these products to retail consumers through their managed and operated Retail Stores. In 2008, 2009 and 2010, 93.6%, 91.9% and 89.4% of the Wholesale Volume of our branded products were sold to our distributors. Accordingly, our success depends on our ability to effectively manage distributors.

To manage our distributors, we impose various requirements on the key aspects of their operations, including those with respect to the decoration and service standards of the Retail Stores, exclusivity, brand protection, performance targets, pricing and after-sale services. See "Business — Sales and Distribution — Management of Our Distributors." However, we cannot assure you that our distributors will comply with all or any of these requirements.

Due to the size of our distribution network, we may not be able to effectively supervise all of our distributors to ensure compliance with our requirements. As of December 31, 2010, our distribution network comprised over 2,100 distributors and 2,900 Retail Stores. Given the large number of our distributors and Retail Stores, we may fail to monitor their activities and therefore, in the event of a non-compliance, we may not be able to react timely, or at all, to prevent continued or re-occurring non-compliance. In addition, given the growth of our businesses, many new distributors have joined our distribution network. Those new distributors have a shorter business relationship with us thus far and may not be able to comply with our distribution policies or manage sales as effectively as the distributors that have a longer business relationship with us. Furthermore, not all of our distributors have entered into written distribution agreements with us. Although we issue a distributor certificate to each of our distributors and may terminate the distributor certificate if the relevant distributors do not comply with our requirements, the fact that we do not have written contractual relationship with certain distributors may adversely affect our ability to manage our such distributors.

If our distributors fail to comply with our requirements, or we fail to oversee their compliance, our distribution network may be disrupted. As a result, our business, financial condition and results of operations may 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.

We generally enter into standard one-year distribution agreements with our distributors, renewable at expiration by mutual agreement. Since we do not have long-term agreements with our distributors, it is possible that their agreements with us will not be renewed on commercially acceptable terms, or at all. In addition, we have not entered into written distribution agreements with certain of our distributors. As the competition for distributors intensifies within the industry, our competitors may offer better terms than we do. In addition, we may fail to manage our brand successfully, which may render our distribution network less attractive. Any of these or other reasons may cause our distributors to leave our distribution network. We cannot assure you that our measures to strengthen the loyalty of our distributors will be effective in retaining our distributors. If our distributors terminate or choose not to renew the distribution agreements with us or otherwise leave our distribution network, we may not be able to find new distributors in a timely manner, or on terms commercially acceptable to us, or at all. In addition, the new distributors may not be able to manage sales as effectively as the distributors that they replaced. For these reasons, the loss of, or the deterioration of our relationships with, our distributors may materially and adversely affect our results of operations and growth prospects.

Disruptions in our supply of raw materials could materially and adversely affect our business, financial condition and results of operations.

The principal raw materials used in our manufacturing operations include timber, veneers, fiberboards and plywood. We purchase a portion of fiberboards and veneers internally, and obtain the rest of the raw materials we need primarily from domestic external suppliers. For certain of such raw materials, we depend on a small number of suppliers. In 2008, 2009 and 2010, our five-largest suppliers accounted for approximately 44.5%, 37.0% and 20.5%, respectively, of our total costs of sales. For the same periods, our largest supplier accounted for approximately 18.0%, 17.7% and 7.5%, respectively, of our total costs of sales. Our supply agreements with suppliers generally range from three months to one year. For certain agreements, particularly short-term agreements, the price and volume are fixed. Most of our supply agreements, however, provide that the price and volume are subject to the final purchase order and price confirmation sheet. An adverse change in our relationship with any major supplier, its financial condition and its ability to deliver raw materials, as well as other factors, such as timber shortage as a result of natural disasters, could interrupt supply. In addition, we also produce certain raw materials internally and our production facilities may experience disruption in their operations for various reasons, such as shortage of power and the occurrence of natural disasters. If any of these occurs and we are not able to find alternative sources at similar or more competitive prices, we may have to, among other actions, re-engineer our products or limit our production, which would have material and adverse effect on our business, financial condition and results of operations. We also purchase certain wood from overseas suppliers and rely on their undertaking for the legitimacy of their sources of wood in our supply agreements. We cannot assure you that all wood supplied by these suppliers are from legitimate sources solely based on such contractual undertaking. It could be found that we have acquired wood from inappropriate or illegitimate sources, which might then subject us to penalties and adversely affect our business and operation.

Higher raw materials prices may affect our financial performance.

The cost of certain raw materials used in the manufacturing of our branded products has risen in recent years in part due to strong market demand and in part due to greater government restrictions in response to forestry protection initiatives. According to Pöyry, the price of industrial round timber in China rose 3%-5% per annum during the Track Record Period. The prices of imported softwood log have increased considerably between 2003 and 2008, driven primarily by the continued significant growth in the demand of softwood log in China and the high ocean freight rate. Although the global financial crisis resulted in a price decline during the late 2008 and early 2009, the prices recovered in 2009 and continued to increase in 2010 with renewed demand. The prices of domestic softwood log in

China are found to be broadly in line with the imported log price trend. According to Pöyry, log prices are expected to increase by around 1%-2% per annum over the next four years. The increase in cost of principal raw materials may increase our or authorized manufacturers' overall operating costs. Although we and authorized manufacturers seek to pass on the increased costs to consumers, we and authorized manufacturers may not always be able to do so for reasons beyond our control. For example, we may not be able to increase the price of our products because our competitors may adopt a low pricing strategy or the increased price may cause consumers to choose alternative flooring products, such as tiles. If we or authorized manufacturers are not able to pass on the cost increases to consumers, our results of operations may be materially and adversely affected.

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.

Our branded products are sold in various specifications and configurations, and must meet certain requirements imposed by the PRC government, as well as pass certain tests conducted by us or by the government. If we fail to, or fail to cause authorized manufacturers to, meet these requirements and conform to these specifications, or if any of our branded products fails to perform as expected or contains defects, we and authorized manufacturers could be subject to governmental fines and other administrative measures.

In addition, customers from time to time could claim that our branded products do not meet their requirements, and users could claim to be harmed by the use or misuse of our branded products. This could give rise to breach of contract, product warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. The wood flooring industry has in the past been subject to claims relating to excessive formaldehyde and other issues. Product liability insurance coverage may not be available or adequate in all circumstances.

Any governmental fines or other administrative measures, as well as claims from purchasers or users, whether successful or not, may result in negative publicity relating to our branded products, our company in general and authorized manufacturers, which in turn could have a material and adverse effect on 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.

The success and popularity of our branded wood flooring products depend, in part, upon our ability to identify consumer preferences and to design products that appeal to such preferences. Consumer preferences, however, change frequently. Among other trends on consumer preferences, Chinese consumers of wood flooring products are increasingly becoming more sophisticated and focusing on the products' performance in terms of safety, durability and environmental impact. We cannot assure you that we will be able to anticipate and timely respond to changes in consumer tastes and preferences. If we fail to anticipate, identify or respond quickly to changes in such preferences, our sales and market share could be adversely affected and we could lose our competitive advantage.

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.

We rely on registered trademarks to protect our brands, as well as patents to protect our proprietary technology used to manufacture and produce a number of our branded products. In addition, we have developed a range of technical know-how relating to the design and production process of our products, which has been derived from the past experience of our key employees and management team as well as the results of our research and development efforts. There may be counterfeit and imitation versions of our products on the market, and we may have to initiate legal or administrative proceedings to protect our intellectual property rights. However, protections offered by the intellectual property laws in China and other jurisdictions where we have registered our trademarks and patents, as well as the enforcement of these protections, may not be effective. In addition, unlike trademarks and patents, our technical know-how cannot be protected under the PRC legal system by way of registration with competent authorities, and as a result, we have to rely on non-disclosure and confidentiality agreements with our employees, which is a less effective mean of protection. Any unauthorized or inappropriate use of our trademarks, copyrights, patents, know-how and other intellectual property could harm our market image and reputation and materially and adversely affect our financial condition and results of operations. In addition, some of our intellectual property rights may be invalid or be challenged as being invalid or unenforceable, and we may incur significant costs defending against such challenges, which may harm our business, financial condition and/or results of operations. Furthermore, third parties may claim that our procedures or processes have infringed upon their proprietary rights. Defending against infringement claims pursued by third parties, whether with or without merit, or asserting claims against third parties could be time consuming, divert management attention and resources, result in costly litigation or damages, undermine our brand value, reduce sales and/or require us to enter into royalty or licensing agreements that may not be on acceptable terms.

Our operations may be materially and adversely affected by environmental regulations.

We are subject to extensive and increasingly stringent environmental protection laws and regulations in China and Peru. The activities which are subject to environmental regulation primarily include flooring manufacturing activities, forestry activities and the emission or discharge of pollutants or wastes into the soil, water or atmosphere. In addition, the relevant environmental regulations also regulate the standards that our branded product must meet, in terms of the maximum content or emission of formaldehyde and other chemicals. At present, these laws and regulations:

- impose fines and penalties for environmental violations;
- require us to obtain certain licenses before we are permitted to carry out certain activities and/or occupy certain premises; and
- authorize the relevant government to suspend our license or take other actions to correct or stop suspected illegal operations causing environmental damage.

Currently, the PRC and Peru governments are moving towards more rigorous enforcement of environmental laws and regulations and the adoption of more stringent environmental standards. As a result, we may incur additional costs in order to comply with the more stringent rules. In addition, there is no assurance that our products will always comply with the applicable environmental regulations. If we fail to comply with current or future environmental laws and regulations, we may be required to pay penalties or take corrective actions and the resulting negative publicity may damage our reputation and brand image, any of which may have a material and adverse effect on our results of operations and/or financial condition.

Our operations rely on a continuous power supply and any shortages or interruptions could disrupt our operations and increase our expenses.

The manufacturing of our products relies on a continuous and uninterrupted supply of electrical power and water, as well as discharge facilities for water, waste and emissions. Any shortage, interruption or curtailment of discharge could significantly disrupt our operations and increase our expenses. Causes of such shortage, interruption or curtailment of discharge may include extreme weather conditions, fire, natural catastrophes, disruptions in raw material supply, equipment and system failures, labor force shortages, workforce actions or environmental issues. We do not have backup generators or alternate sources of power to support our production in the event of a blackout. In addition, our insurance coverage does not extend to any damages resulting from interruption in our power supply. Any interruption in our ability to continue operations at our facilities could damage our reputation, harm our ability to retain existing customers or obtain new customers, any of which could have a material and adverse effect on our business, financial condition and results of operations.

We are subject to the risks associated with our manufacturing activities.

We are subject to the risks associated with our manufacturing activities, which include risks related to the hazards involved in the operation of our manufacturing plants. These hazards include the release of hazardous substances, manual handling hazards, exposure to dust and hazards related to the malfunctioning of equipment and manufacturing machinery. These operating hazards may cause personal injury to our employees or property damage, which could result in the imposition of civil and/or criminal penalties on us. The occurrence of any of these events could have a material and adverse effect on the productivity and profitability of a particular manufacturing facility, our reputation and our business, financial condition and/or results of operations.

We are subject to certain risks associated with the transportation and warehousing of our branded products.

The delivery of finished products from our factories to our distributors could be suspended, if any unforeseen events which are beyond our control occur, such as poor handling and damage to our finished products, transportation bottlenecks, natural disasters or labor strikes. If our finished products are not delivered to our distributors on time, our market reputation and profitability could be materially and adversely affected. We may also face lawsuits arising from our failure to deliver in accordance with relevant agreements. In addition, we typically store our raw materials and finished products in our warehouses pending use in the manufacturing process or delivery. If due to fire or other accidents the raw materials and finished products are damaged, we may not be able to procure sufficient materials to replace the damaged goods and thereby may be unable to supply finished products to our distributors on time. The foregoing would adversely affect our reputation and results of operations.

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.

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. We cannot assure you that we will be able to retain our forest concessions. Governments may unilaterally terminate or reduce the size of our concessions or change the conditions attached to our concessions in certain circumstances for reasons such as public security, environmental preservation or social policy. The relevant concession licenses or agreements may be terminated if we materially breach our obligations. In addition, regulatory changes in jurisdictions where we owned forest assets, including the changes in applicable environmental and tax regulations and policies with respect to the granting of forest concessions may adversely affect our ability to retain our forest concessions.

There can be no assurance that, in the event of any termination or reduction of our rights, particularly our concession licenses, we will receive any compensation to offset lost revenues we may have generated had we been allowed to maintain our operations on such lands, or to reimburse us for improvements made by us upon such land. If we are unable to retain or renew our forest concessions upon their expiration or termination or secure new such concessions, the stability of the timber supply for our business may be adversely affected and our business in turn may be materially and adversely affected.

Our planned commercial logging activities are subject to regulatory approvals, restrictions and uncertainties.

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. We need to obtain government approvals to start commercial logging activities in these forests. For our Peru forests, we obtained in February and March 2011 the government approval of our general forestry management plan and annual operational plan, respectively. For our Yunnan forests, we need to obtain a logging permit from the local county-level forestry administration authority. See "Business — Our Forests" and "Appendix VIII — Summary of Principal PRC and Peruvian Legal and Regulatory Provisions." As at the Latest Practicable Date, we have not yet obtained the logging permit for our Yunnan forests. Although we expect to obtain such approvals for our Yunnan forests and start commercial logging activities in our forests in Peru by the end of June 2011 and Yunnan in the second half of 2011, we cannot assure you that this will be the case and we will be able to start commercial logging activities in time or at all. In addition, even if we obtain such approvals, the relevant permit or the approved plan may contain various restrictions on our logging activities, such as the maximum volume of timber we are permitted to harvest in a specified period and the reforestation requirements. Furthermore, we expect that our forests will produce timber in the amount of approximately 21,000 cubic meters and 51,000 cubic meters in 2011 and 2012, respectively. However, we cannot assure you that this will be the case due to various reasons, such as unfavorable weather conditions, natural disasters and our lacking of forest management experience. As part of our strategy, we plan to acquire more strategic upstream forest assets. Failure to obtain the government approvals to start commercial logging activities and the relevant restrictions and uncertainties may undermine the value of our existing and future forest assets as well as our business development.

Changes in fair value of our forest assets could result in significant fluctuations in our profit from operations.

In 2009, in connection with our forest assets in Peru which we acquired at a consideration of approximately RMB19.0 million, we recorded a net change in fair value of biological assets of RMB81.9 million, which accounted for approximately 24.6% of our profit from operations in 2009. In 2010, in connection with our forest assets in China which we acquired at a consideration of approximately RMB41.5 million and our forest assets in Peru, we recorded a net change in fair value of biological assets of RMB106.8 million, which accounted for approximately 24.1% of our profit from operations in 2010. The net change in fair value 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 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. The valuation of fair value of our forest assets involves the exercise of professional judgment and employs certain bases and assumptions, which, by their nature, are subjective and uncertain. In determining the fair value of our forests assets, Pöyry adopted a net present value approach whereby projected future net cash flows, calculated based on the international timber log prices, were discounted according to the harvest plans to provide a current market value of the forest assets. See "Financial Information — Biological Assets." Changes in international timber log prices or the assumptions or methodologies underlying the valuation, including the discount rate, may affect the fair value of our forest assets significantly. In addition, there is no cash flow impact on our operation as fair value gain is only accounting in nature. The recognition of any such gain or loss is on the relevant balance sheet dates and does not generate any actual cash inflow or outflow. Moreover, the professional valuer will determine the fair value of our forest assets each year, which may result different valuation amount, therefore, the historical results of fair value of our forest assets may not be indicative of future performance of our forest assets. We cannot assure you that the fair value of our forest assets will not decrease in the future. Changes in the 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.

Our Yunnan and Peru forests were acquired at a consideration of approximately RMB41.5 million and RMB19.0 million, respectively. As part of our development strategy, we plan to acquire more forest assets, especially those that produce high-quality timber, in order to provide a stable source of high-quality timber for the manufacturing of our branded products. As the number of competitors in the private forestry sector increases due to the privatization of China's forestry sector, we expect greater competition for acquiring forests, which may drive up acquisition prices. In addition, as the private forestry sector develops, sellers may demand higher premiums for high-quality forests. Similarly, we may face higher costs in acquiring forests in other jurisdictions where we may have acquisition plans due to the foregoing reasons or as a result of the greater governmental control and restrictions due to government initiatives to protect forests. We cannot assure you we will be able to negotiate favorable prices for our new forest acquisitions. Higher acquisition costs and intensifying competition for new forests may hamper our forest acquisition plans and business.

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.

Our trading business, consisting of flooring trading and timber trading, accounted for 14.9%, 10.5% and 20.5% of our total revenues in 2008, 2009 and 2010, respectively. 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 manufacturing companies, and then sell these products under our brands to customers in overseas markets, mostly flooring distributors in the U.S. For timber trading, we purchase timber from overseas wood dealers and sell the timber to various clients in China, including authorized manufacturers and other wood products manufacturers. The marketing and sale of wood flooring products to, and the purchase of timber from, overseas markets expose us to a number of risks, including:

- changes in general economic conditions of any specific overseas market, especially the U.S.;
- increased trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses;
- difficulty and increased costs relating to compliance with different and changing regulatory requirements and government policies of overseas markets, including obtaining and maintaining the necessary certificates and permits;
- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the international markets and following their trends;
- difficulty with developing and maintaining an effective marketing and distributing presence in various countries; and
- higher costs in relation to providing customer service and support in these markets, as well as dealing with customer claims, refund, return requests and relevant disputes or legal or administrative proceedings.

We may not be able to develop and implement policies and strategies that will be effective in the relevant jurisdictions to deal with the foregoing risks, and as a result, our trading business, growth prospects, financial condition and results of operations may 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 ability to increase our revenues, net income and cash flows depends in part upon continued capital spending. We may also need further funding for debt service, working capital, capital expenditure, potential acquisitions and other corporate requirements. Our ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including our reputation, financial conditions, applicable regulatory approvals, interest rates and general global and domestic economic conditions. If, for any of these or other reasons, we are unable to obtain financing on favorable terms, or at all, our operations may be materially and adversely affected.

Our insurance coverage may not be sufficient to cover the risks related to our operations and losses.

We maintain different types of insurance policies, including property casualty insurance, transport accident insurance, vehicle insurance and product liability insurance. Our insurance policies may not be adequate to cover all of the risks relating to our business. For example, in accordance with customary practice in China, we do not carry any business interruption insurance or third-party liability insurance for losses or damages arising from accidents on our properties or relating to our operations other than those relating to our vehicles. In addition, as a result of market conditions, premiums and deductibles for our existing insurance policies may increase substantially and, in some instances, our existing insurance may become unavailable or available only for reduced amounts of coverage. Any losses or liabilities which are not covered by our current insurance policies may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not continue to enjoy certain favorable PRC governmental policies.

We currently enjoy certain favorable PRC governmental policies, any of which may be discontinued in the future. Some of the policies from which we currently benefit subject us to periodic eligibility review. For example, two of our operating subsidiaries, Guangdong Yingran and Kunshan Nature, currently enjoy a favorable income tax rate at 12.5%, which will be increased to the typical tax rate of 25% in 2012 and 2013, respectively. If we are unable to continue to benefit from some or all of the governmental policies under which we currently receive favorable treatment, our business, results of operations and financial condition may be adversely affected.

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 have grown rapidly in recent years. Our rapid expansion will impose significant additional responsibilities on our management, including the need to identify, recruit, train and integrate additional employees, and oversee the expansion of our production facilities, distribution network and authorized manufacturers. In addition, rapid and significant growth may place a strain on our administrative and operational infrastructure, including our internal accounting and financial reporting processes and systems. As our operations expand, we expect that additional resources will be required to manage new relationships with additional exclusive distributors and authorized manufacturers and to supervise the performance of an increasing number of Retail Stores, as well as other third parties, including raw material suppliers. Our ability to manage our operations and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to develop and implement a successful growth strategy, we may be unable to effectively manage our growth, including the rapid expansion of the distribution network, and our long-term business prospects may be adversely affected. We may fail to execute our growth strategy due to a number of factors, including those beyond our control, such as our inability to obtain adequate funding or to recruit suitable personnel.

We may encounter difficulties when expanding into new markets and new product lines.

We plan to expand our geographic coverage in county-level cities and towns in China. In addition, we may selectively work with third-party product partners to add additional products to our branded product portfolio that are complementary to our core business, such as wood doors, wardrobes and cabinets. However, any of the factors listed below and other factors could prevent us from competing effectively in these new markets or product lines and thus negatively affect our expansion:

- unfamiliarity with these local markets or products;
- lack of operational experiences with respect to the new products;
- difficulty in locating and targeting qualified local distributors or distributors for new products;
- difficulty in obtaining prime locations for retail stores;
- difficulty in locating qualified manufacturers for the new products; and
- market entry barriers such as strong local competitors that may have a proximity advantage and local connections.

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 may encounter difficulties and face risks in connection with our expansion into the upstream forestry management and harvesting business in Yunnan and Peru. We entered the forestry management and harvesting business after selectively acquiring strategic upstream forest assets beginning in 2009. In preparation for the commencement of commercial logging activities, we have recruited forest engineers and plan to hire independent third-party contractors to take charge of the overall management. We also have to devote resources and management efforts to this new business. We cannot assure you that our expansion into the forestry management and harvesting business will be successful as we have limited experience in this industry and may not effectively supervise our forest engineers and third-party contractors. Likewise, we cannot assure you that we may be able to generate sufficient profit to justify the costs of expanding into this business. If such business in which we have invested does not progress as planned, we may not be successful in reducing our reliance on third-party sourced timber and our results of operations and financial condition may be adversely affected.

We and authorized manufacturers may experience a shortage of labor, an increase in labor costs and be exposed to labor disputes, which would have an adverse effect on our business and results of operations.

We and authorized manufacturers rely on labor resources for production. The labor costs as a percentage of our cost of sales were 4.2%, 4.5% and 4.1%, respectively, in 2008, 2009 and 2010. There have been certain developments in China's labor market, including shortage of labor in certain regions, increased labor cost and more stringent regulatory requirements on labor protection. There is no assurance that we and authorized manufacturers will not experience any shortage of labor, increased labor costs or labor disputes against us or we and authorized manufacturers will be able to comply with all relevant regulations or requirements. Any such negative incidents may cause us and authorized manufacturers to incur additional costs, result in production delays, damage reputation or disrupt operations.

We may not be able to derive the desired benefits from our product development efforts.

Our competitiveness is dependent in part on our ability to develop new products and more efficient production capabilities. We place significant emphasis on product development, in particular, to improve the quality of our branded products and expand our new product offerings, which we believe are crucial for our future growth and prospects. See "Business — Product Development." We cannot assure you that our future product development projects will be successful or be completed within the anticipated time frame or budget, or that our newly developed products will achieve commercial success or be accepted by the market. In addition, we cannot assure you that our existing or potential competitors will not be able to develop products which are similar or superior to our branded products. If our product development efforts are not as effective as we expect, our competitiveness, financial results and growth prospects may be materially and adversely affected.

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.

As of the Latest Practicable Date, we leased 30 properties with an aggregate leasable area of approximately 41,310 sq.m. in China, for use as production facilities, warehouses, offices or staff quarters. Among these properties, 11 properties with an aggregate leasable area of approximately 22,859 sq.m. were leased from lessors who were not able to provide the relevant title ownership certificates or documents evidencing the consent of properties owners for leasing the properties. These 11 properties are primarily used as warehouses, production facilities and offices of Zhongshan Nature, Guangdong Yingran and Kunshan Nature. Among these 11 properties, there are four properties representing a total leasable area of approximately 15,400 sq.m. with respect to which our PRC legal advisors, Haiwen & Partners, have advised that the relevant lessors are not entitled to lease the relevant properties, because the underlying land of these properties are collectively-owned or state-owned allocated land which is not permitted to be used for non-agricultural purposes or leased without government approvals under the PRC law. The lease agreements in respect of these four properties are therefore, as advised by Haiwen & Partners, not valid and our leasehold interests under these agreements are not protected by PRC laws and regulations. For the remaining seven properties representing leasable area of approximately 7,459 sq.m., Haiwen & Partners have advised that because the lessors are not able to provide the relevant title documents, there exists uncertainties as to whether the relevant lease agreements are valid and our leasehold interests under such agreements are protected by PRC laws and regulations. See "Business — Properties — Leased Properties." We have not obtained building ownership certificates for 11 buildings with a total gross floor area of 2,020 sq.m. These 11 buildings are primarily used as offices or staff canteen of Zhangjiagang Nature. Our PRC legal advisors, Haiwen & Partners, have advised that, with respect to the title defect of these 11 buildings, the relevant authority may order us to rectify the title defect within a prescribed period, demolish the buildings and/or impose a fine of up to 10% of the construction cost of these buildings. We expect the fine imposed, if any, will not exceed RMB300,000 in the aggregate. See "Business — Properties — Owned Properties." If we are forced to relocate our operations in the affected properties, our operations may be interrupted and we may incur additional costs as a result of such relocation.

Our information technology systems are important to our operations. A system failure or breakdown may cause interruptions of our business and operation.

Our information technology infrastructure is important for us to conduct our operations. We currently use a self-developed management and financial system, and we plan to upgrade the system by replacing it with a third-party enterprise resource planning system to be purchased from professional developers. Any malfunction or interruption in a particular part of our information technology system for an extended period of time may result in a breakdown throughout our network. Furthermore, a future serious dispute with our information technology service provider or termination of a service contract with such provider may adversely affect our ability to upgrade our information technology infrastructure in a timely and cost-effective manner. If any of these events occur, our business, financial condition and results of operations may be materially and adversely affected.

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.

Our future success depends heavily upon the continuing services of the members of our senior management team and other key personnel. In particular, our chairman, Mr. Se Hok Pan, who has over 15 years' experience in China's wood flooring industry, has been and continues to be central to our development. If Mr. Se or any other member of our management team or key personnel is unable or unwilling to continue in his or her present position and we are not able to replace him or her with a suitable candidate, our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose customers, distributors, know-how and key professionals and staff members. We are not insured against the detrimental effects to our business resulting from the loss or dismissal of key personnel. In addition, our ability to train and integrate new personnel into our operations may not meet the growing demands of our business. The loss of any of our key personnel or our inability to retain existing, or attract and retain new, qualified personnel, including senior executives, could therefore have a material and adverse effect on our business and growth prospects.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders will directly and indirectly own approximately 48.14% of our Shares, or approximately 46.4% if the Over-allotment Option is fully exercised. Our Controlling Shareholders, through their voting power at shareholders' meetings and their delegates on our Board, have a significant influence over our management and corporate policies, including our development strategies, capital expenditure and distribution plans. In addition, our Controlling Shareholders may cause us to implement corporate transactions that might not be in, or may conflict with, our other shareholders' best interests. For example, our Controlling Shareholders, subject to applicable laws and regulations, may cause our Board to act or cause us to amend our Articles of Association in a manner that may not be in the best interests of our other Shareholders. If our Controlling Shareholders decide to exercise their voting powers in ways that are not in the best interests of our other Shareholders, the value of our other Shareholders' investments may be diminished.

Furthermore, our Controlling Shareholders may decide to sell a substantial number of their Shares, thereby negatively affecting the market price of our Shares and our ability to raise equity capital in the future. The Shares held by our Controlling Shareholders are subject to certain transfer restrictions for a period of up to 12 months after the date on which trading of our Shares commences, details of which are set out in "Underwriting — Underwriting Arrangements and Expenses — Undertakings by the Controlling Shareholders under the Listing Rules" as well as transfer restrictions under the Shareholders' Agreement, details of which are set out in "History and Development — Investment by MS Flooring, IFC and Headland HAV3 — Certain Transfer Restrictions." While we are not aware of any intention on the part of our Controlling Shareholders to dispose of substantial numbers of their Shares upon the expiration of those restrictions, we cannot assure you that they will continue to hold any or all of its Shares. In such event, the value of our Shares to our other Shareholders may be significantly reduced.

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 business, financial condition and results of operation depend on the market demand for wood flooring products. Market demand for wood flooring products is subject to changes due to a number of factors, including:

- changes in domestic and international general economic conditions, such as changes in consumer confidence and disposal income, process of urbanization, corporate and government spending, interest rate levels, availability of credit, inflation and unemployment;
- changes in housing demand and home renovation and decoration activities;
- regulatory changes, including changes in government support, subsidies and policies;
- developments in real estate market;
- population growth and changing demographics and preferences; and
- seasonal weather cycles (such as dry or hot summers, wet or cold winters).

For example, the PRC government has implemented a number of policies aimed at improving the living conditions of low-income urban and rural families. See "Industry Overview — Key Drivers of Growth for China's Wood Flooring Market — PRC Government Support and Initiatives in Housing." We expect to benefit from these policies. If there is any change in these policies, there may be a slowdown in the growth of the relevant wood flooring markets and demand for wood flooring products.

A decrease in the market demand for wood flooring products could have a material and adverse effect on 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.

Demand for our wood flooring products in China is seasonal due to the fluctuations in the level of construction activity primarily caused by weather cycles (such as dry or hot summers, wet or cold winters) and the presence of holidays, as well as seasonal changes in consumer spending behavior. Generally speaking, the peak season for the sales of wood flooring products occurs during the months before the Chinese lunar new year, and in particular the fourth quarter of the calendar year, largely because property developers introduce many new properties to the market at this time. There is generally a slowdown in real estate projects and home renovation activities during the winter and the Chinese lunar new year holiday period. As such, we usually experience a reduction in sales during the first quarter of the calendar year.

Our industry experiences intense competition.

The wood flooring industry in China is intensely competitive. There is an increasing number of competitors in the industry. In addition, the existing players in the industry are seeking to become more competitive through various means, including mergers and acquisitions and the introduction of domestic or foreign strategic investors. Our major competitors currently include large international, national and regional companies. These competitors may have better track records, greater financial and marketing resources and greater economies of scale than we do.

Intense competition among wood flooring manufacturers in China for raw materials and skilled management and labor resources has in the past and may in the future result in an increase in costs for raw materials and labor. In addition, intense competition for market share could result in price reductions by our competitors, which may in turn put downward pressure on the selling prices of our products. If we cannot respond to changes in market conditions rapidly or respond as swiftly or effectively as our competitors, or if we fail to deal with the competition effectively, our business, results of operations and financial condition could be materially and adversely affected.

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.

Most of our businesses, assets and operations are located in China. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

China's economy was a planned economy, and a substantial portion of productive assets in China are still owned by the PRC government. The government also exercises significant control over China's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. Although the government has implemented economic reform measures to introduce market forces and establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, we may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic control measures affecting China's economy. In particular, the government has implemented various measures in an effort to increase or control the growth rate and adjust the structure of certain industries. For example, in response to a decreased growth rate in part as a result of the global financial crisis and economic slowdown, from September 2008 to mid 2010, the PRC government implemented a series of macroeconomic measures and a moderately loose monetary policy, which included announcing an economic stimulus package in the aggregate amount of RMB4 trillion (approximately US$586 billion) and reducing benchmark interest rates.

Certain of the PRC government's macroeconomic measures may materially and adversely affect our financial condition, results of operations and asset quality. For example, the PRC government's measures aimed at tempering the real estate market may cause a slowdown in the number of real estate development projects generally and demand for new real estate projects and in turn the market demand for wood flooring products. In addition, China has recently implemented a series of measures to curtail the rising inflation. If these measures are not effective, the inflation may result in reduced purchase power and disposable income of China's consumers, which may in turn affect the market demand for our products, and as a result, our business, financial condition and results of operations may be materially and adversely affected.

China has been one of the world's fastest-growing economies in terms of GDP growth, in recent years. However, China may not be able to sustain such growth. During the recent global financial crisis and economic slowdown, the growth of China's GDP slowed down. If China's economy experiences a decrease in growth rate or a significant downturn, the unfavorable business environment and economic conditions for our customers could materially and adversely affect our financial condition, results of operations and business prospects.

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.

Our operations in China are governed by the PRC laws and regulations. Our PRC subsidiaries are foreign-invested enterprises and subject to laws and regulations applicable to foreign investment in China. China has a civil law legal system based on written statutes. Unlike the common law system, previous court decisions in China may be cited for reference but have limited precedential value. Although the overall effect of legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investments in China, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. Such uncertainties may limit the legal protections available to us and to other foreign investors, including you as an investor.

In addition, the PRC legal system is based in part on government policies and certain internal rules, some of which are not published on a timely basis or at all and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and internal rules until sometime after the violation. Also, any administrative or court proceedings may be protracted, resulting in substantial costs and diversion of resources and management attention if we seek to enforce our legal rights through administrative or court proceedings. Moreover, compared to more developed legal systems, the PRC administrative and court authorities have significantly wider discretion in interpreting and implementing statutory and contractual provisions. As a result, it may be more difficult to evaluate the outcomes of administrative and judicial proceedings as well as the level of legal protections we are entitled to. These uncertainties may impede our ability to enforce our contracts, which could in turn materially and adversely affect our business and operations.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Substantially all of our businesses, assets and operations are located in China. In addition, the assets of our directors and executive officers are partially located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or such directors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Although we will be subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the listing of our Shares on the Hong Kong Stock Exchange, the holders of Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

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.

As a holding company, we rely partially on dividends from our subsidiaries in China for our cash requirements, including service of any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. Furthermore, in the future, if our subsidiaries in China incur debt on their own behalf, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. The inability of our PRC subsidiaries to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

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.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or the SAFE, upon satisfaction with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE by complying with certain procedural requirements. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to holders of our Shares.

Fluctuations in the value of the Renminbi may have a material and adverse effect on your investment.

A substantial portion of the revenues and costs of our PRC operating subsidiaries are denominated in Renminbi. The net proceeds from this offering will be denominated in Hong Kong dollars. Fluctuations in exchange rates, primarily those involving the Hong Kong dollar and U.S. dollar, may affect the relative purchasing power of these proceeds. Fluctuations in the exchange rate will also affect the relative value of earnings from and the value of any foreign currency-denominated investments we make in the future.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2.1% against the U.S. dollar. From July 21, 2005 to December 31, 2009, the value of the Renminbi appreciated by approximately 21.2% against the U.S. dollar. In June 2010, China announced that it will further promote the reform of its exchange rate regime. From July 1, 2010 to April 30, 2011, the value of the Renminbi appreciated further by approximately 4.4% against the U.S. dollar.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets. It may also adversely affect our flooring trading business as the appreciation of the Renminbi may drive up the price in foreign currencies at which we sell flooring products to overseas clients. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms. Also, as a portion of our raw material purchases and our timber purchases in conducting timber trading business are denominated in foreign currencies, devaluation of the Renminbi against relevant foreign currencies may increase our relevant cost of sales and in turn negatively affect our results of operations. We do not use foreign currency forward exchange contracts to hedge the currency exposure arising from individual transactions. See "Financial Information — Market Risks — Foreign Currency Risk." Accordingly, fluctuations in the value of the Renminbi against relevant foreign currencies may adversely affect the results of operations of our trading business.

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.

In 2006, six PRC regulatory agencies jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. See "Appendix VIII — Summary of Principal PRC and Peruvian Legal and Regulatory Provisions." The M&A Rule, among other things, provides for additional procedures and requirements that may cause merger and acquisition activities to be conducted by us in China, as a foreign investor under the PRC law, more complex and time consuming. If the relevant PRC government authorities decide that such activities are subject to the M&A Rule, we will be required to obtain approval for such transactions from the Ministry of Commerce, or its local agencies (collectively, the "MOC Authority"). If we do not seek the necessary approval, we could be subject to administrative fines or other penalties imposed by the relevant PRC authorities. However, because there are no specific provisions as to the fines or penalties for such violations under current PRC laws and regulations, it is uncertain what penalties we may face. In the future, we may grow our business in part by acquiring companies or assets in China. Complying with the requirements of the M&A Rule to complete such transactions could be time consuming and any approval procedures, including obtaining approval from the MOC Authority, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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.

The Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment through Offshore Special Purpose Vehicles

(《關於境內居民通過境外特殊目的公司融資及返程投資外滙管理有關問題的通知》), or Circular 75, which was issued by the SAFE and became effective on November 1, 2005, requires PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any offshore company, referred to as an "offshore special purpose company (SPV)," for the purposes of acquiring any assets of or equity interest in Chinese companies and raising funds from overseas. In addition, any such PRC resident is required to update the previously filed registration to reflect any material alteration in the capital of such SPV involving no roundtrip investment, such as the merger of, and the long-term equity or debt investment by, the SPV. If any PRC shareholder of the SPV fails to make or update the required registration, the PRC subsidiaries of that SPV may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, and similarly, the SPV may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the foregoing requirements could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

Our PRC legal advisors, Haiwen & Partners, have advised us that Circular 75 currently does not apply to us because none of our existing shareholders and beneficial owners of our shares is a PRC resident. However, we cannot assure you that any PRC resident who becomes our shareholder or the beneficial owner of our shares in the future will be able to comply with Circular 75 in a timely manner or at all. A failure by any of our shareholders or beneficial owners of our shares who are PRC residents to comply with these regulations and rules in the future could subject us to fines or legal sanctions, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to, or obtain foreign currency-dominated loans from, us, and our ability to increase our investment in China. As a result, our business and results of operations and our ability to distribute profits to you could be materially and adversely affected.

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.

Pursuant to the Implementation Rules of the Administrative Measures on Individual Foreign Exchange (《個人外滙管理辦法實施細則》), promulgated on January 5, 2007 by the SAFE and a relevant guidance issued by the SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas-listed company according to its employee share option or share incentive plan are required, through the PRC subsidiaries of such overseas-listed company or other qualified PRC agents, to register with the SAFE and complete certain other procedures related to the share option or other share incentive plan. In addition, the overseas-listed company or its PRC subsidiaries or other qualified PRC agent is required to appoint an asset manager or administrator and a custodian bank, and open special foreign currency accounts to handle transactions relating to the share option or other share incentive plan. Under the PRC Foreign Currency Administration Regulations (《中華人民共和國外滙管理條例》), as amended in 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by the SAFE. However, the implementation rules in respect of depositing the foreign exchange proceeds abroad have not been issued by the SAFE. Currently, the foreign exchange proceeds from the sales of stock or dividends distributed by the overseas-listed company can be converted into Renminbi or transferred to such individual's foreign exchange savings account after the proceeds have been remitted back to the special foreign currency account opened at a PRC domestic bank. If share options are exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to special foreign currency accounts opened by the overseas-listed company or the qualified PRC agents before such proceeds can be converted into Renminbi or transferred to the individual's distributed savings account. We and our PRC citizen employees who have been granted share options, or PRC option holders, will be subject to these rules upon the listing and trading of our Shares. If we or our PRC option holders fail to comply with these rules, we or our PRC option holders may be subject to fines and legal or administrative sanctions. See "Appendix VIII — Summary of Principal PRC and Peruvian Legal and Regulatory Provisions."

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

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, and its implementing rules, both effective from January 1, 2008, any enterprise established outside of the PRC with "*de facto* management bodies" within the PRC is considered a "resident enterprise" and will be subject to enterprise income tax at the rate of 25% on its worldwide income. The implementing rules define the term "*de facto* management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, issued by the State Administration of Taxation (國家稅務總局) on April 22, 2009 provides certain specific criteria, all of which must be met, for determining whether the "*de facto* management body" of a Chinese-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether: (i) the enterprise's day-to-day operational management is primarily exercised in China, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China, and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. Although Circular 82 applies only to offshore enterprises controlled by the PRC enterprises, not companies controlled by foreign shareholders and PRC individuals, such as our Company, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "*de facto* management body" test should be applied in determining the tax resident status of offshore enterprises. We have not been notified by the relevant tax authorities that we are treated as a PRC resident enterprise. However, since substantially all of our management is currently based in China and is expected to remain in China in the future, we cannot assure you that we will not be considered a "resident enterprise" under the EIT Law and, therefore, be subject to the enterprise income tax at 25% on our worldwide income, which could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Under applicable PRC tax laws, dividends paid by a Chinese company to non-PRC resident individual shareholders and gains realized by such individual shareholders upon sale or other disposition of their shares in such Chinese company are subject to PRC individual income tax at a rate of 20%. Under applicable PRC tax laws, such dividends paid to, and gains realized by, non-PRC resident enterprise shareholders are subject to PRC enterprise income tax at a rate of 10%. In the case of dividends, the tax is withheld at source. If we were considered a "resident enterprise" in the PRC, holders of Shares may be subject to the above income tax and we may be required to withhold the tax from any dividends paid to our non-PRC shareholders. If we were not considered a "resident enterprise" in the PRC, dividends paid by our PRC subsidiaries to us and gains realized by us upon sale or other disposition of shares in our PRC subsidiaries may be subject to the 10% enterprise income tax. Imposition of any of these taxes on us or on you may materially and adversely affect the value of your investment in our Shares.

Furthermore, in connection with the EIT Law, the State Administration of Taxation issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or Circular 698, in December 2009. Pursuant to Circular 698, except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing of the equity of an overseas holding company ("Indirect Transfer") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. If the PRC tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer. As a result, foreign investors may be required to report Indirect Transfers of our PRC subsidiaries stock when they sell our shares, and gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC enterprise income tax.

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 special arrangement between Hong Kong and China due to significant uncertainties under the EIT Law and related rules.

Under the EIT Law, starting from 2008, dividends paid by each of our PRC foreign-invested enterprises to its immediate parent company outside the PRC will be subject to a 10% withholding tax. Pursuant to a special tax arrangement between Hong Kong and China, such rate may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise and relevant approvals from competent local PRC tax authorities are obtained. According to a series of rules issued by the State Administration of Taxation in 2009, a taxpayer must be the beneficial owner of the relevant subsidiaries in order to enjoy the treaty benefits and "beneficial owners" refers to individuals, enterprises or other organizations which are normally engaged in substantive operations. These rules also set forth certain adverse factors on the recognition of a "beneficial owner." Specifically, it expressly excludes a "conduit company," or any company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management, from being a "beneficial owner." As a result, for each of our PRC subsidiaries that is currently wholly owned by a Hong Kong holding company, we may not be able to enjoy the preferential withholding tax treatment under the tax treaty with respect to dividends to be paid by that PRC subsidiary to its Hong Kong holding company that could not if the latter is not treated as a beneficial owner.

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.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 flu, may materially and adversely affect our business and results of operations. In 2009, there were reports of occurrences of H1N1 flu in certain regions of the world, including the PRC where we operate substantially all of our business. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business. Moreover, China has experienced natural disasters like earthquakes, floods, landslides and droughts in the past few years. For example, in May 2008 and April 2010, China experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. In 2010, severe droughts occurred in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy, our forest assets and supply of raw materials for the production of wood flooring products, any or all of which could adversely affect our business. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 flu or other epidemics, will not seriously interrupt our operations or those of our customers, which may have a material and adverse effect on our 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 its wood flooring industry contained in this prospectus, and investors should not place undue reliance on them.

Certain facts and statistics relating to China, China's economy and its wood flooring industry set forth in the section headed "Industry Overview" to this prospectus are derived from various PRC official government publications. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the information are appropriate sources for such information and the Directors have taken reasonable care in the extraction and reproduction of the information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been prepared or independently verified by us, the Joint Global Coordinators, the Joint Sponsors or the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy or completeness of such facts and statistics, which are derived from PRC official government publications and may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein that are from PRC official government publications may be inaccurate, incomplete or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that the facts and statistics derived from the PRC official government publications contained in this prospectus are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

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.

Prior to the Global Offering, there has been no public market for the Shares. The initial issue price range to the public for the Shares was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters which may not be indicative of prices that will prevail in the trading market, and the Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied to list and deal in the Shares on the Hong Kong Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for the Shares. In addition, the price and trading volumes of the Shares may be volatile. Factors such as variations in our revenues, earnings and cash flows or any other developments affecting us or our business may affect the volume and price at which the Shares will be traded. Investors may not be able to resell their Shares at the Offer Price or a higher price. Volatility in the price of the shares may be caused by factors beyond our control and may be unrelated to the results of our operations.

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.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares, or the perception that such sales or issuances may occur. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the date on which trading in our Shares commences on the Hong Kong Stock Exchange, details of which are set forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertaking by the Controlling Shareholders under the Listing Rules" as well as transfer restrictions under the Shareholders' Agreement, details of which are set out in "History and Development — Investment by MS Flooring, IFC and Headland HAV3 — Certain Transfer Restrictions." We cannot give any assurance that our Controlling Shareholders will not sell, dispose of or otherwise transfer any Shares they may own now or in the future at the completion of the applicable lock-up periods. In addition, we may consider offering and issuing additional Shares in the future. We may also issue Shares pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme. You will experience dilution if we issue additional Shares in the future. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us.

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.

The Offer Price will be higher than the net tangible book value per Share of the outstanding shares issued to our existing shareholders. Therefore, purchasers of the Shares in the Global Offering will experience an immediate dilution and our existing Shareholders will receive an increase in the net tangible book value per Share of their Shares. As a result, if we distribute our net tangible assets to the Shareholders immediately following the Global Offering, purchasers of Shares in the Global Offering will receive less than the amount they pay for their Shares.

You should read the entire prospectus carefully and should not place any reliance on any information contained in press articles or other media.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, including but not limited to, coverage in the Ming Pao Daily News, The Wall Street Journal, Oriental Daily, The Sun, Hong Kong Commercial Daily, Hong Kong Daily News, Hong Kong Economic Journal, Hong Kong Economic Times, Sing Tao Daily and Ta Kung Pao. This press and media coverage included, among others, certain financial information, certain projections, valuations and/or other information relating to us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such press articles or other media. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press articles or other media. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this prospectus or the Application Forms, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.