

## HISTORY AND DEVELOPMENT

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The history of our “Nature” (大自然) brand can be traced back to 2001 when Mr. She Chang (余昌), the father of one of our co-founders, Mr. Se Hok Pan (余學彬), created the “Nature” (大自然) brand and a network of distributors in Shunde, Guangdong Province, China for his solid wood flooring business.

In October 2004, our co-founders, Mr. Se Hok Pan and Ms. Un Son I, established Zhongshan Nature, which subsequently became our wholly-owned subsidiary, and carried out our own assessment of the wood flooring market in China and began the preparatory work prior to the commencement of operation of our first factory in Guangdong Province, China for laminated flooring in April 2005. In 2005, Mr. She Chang transferred the “Nature” (大自然) brand to us at nil consideration, which is legal and valid under PRC law. In April 2005, the factory of Zhongshan Nature came into operation and in May 2005 we commenced the manufacturing of laminated flooring using the “Nature” (大自然) brand. Under the leadership of Mr. Se Hok Pan and Ms. Un Son I, we expanded our own distribution network and products portfolio. In early 2007, we acquired the distribution network from Mr. She Chang at a nominal consideration of RMB1.00 and in the same year, we started to establish our network of authorized manufacturers for our branded solid wood flooring and a portion of our branded engineered flooring. Mr. She Chang ceased his solid wood flooring business in early 2008.

Major milestones in our history up to the Latest Practicable Date are set forth below:

<u>Year</u>	<u>Event</u>
2001	Mr. She Chang (余昌), the father of Mr. Se Hok Pan (余學彬), one of our co-founders, created the “Nature” (大自然) brand and a network of distributors in Shunde, Guangdong Province, China for his solid wood flooring business.
2004	Mr. Se Hok Pan and Ms. Un Son I, our co-founders, established Zhongshan Nature, which subsequently became our wholly-owned subsidiary.  “Nature” (大自然) brand was recognized as “China’s Top Brand” (中國名牌產品), by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局).
2005	Mr. She Chang transferred the “Nature” (大自然) brand to us at nil consideration.  Our first factory for laminated flooring came into operation and we commenced the manufacturing of laminated flooring using the “Nature” (大自然) brand.
2007	Our sub-brands “Nature · No. 1 My Space” (大自然 · 第一空間), “Nature · Yijia” (大自然 · 宜家) and “Woodsbür” (德獅堡) (which has since been re-named “Nature · Woodsbür” (大自然 · 德獅堡)) were introduced.  We acquired the pre-existing distribution network from Mr. She Chang at a nominal consideration of RMB1.00 and commenced its reformation into the existing network of exclusive distributors.  Our factories for manufacturing laminated flooring (eco flooring) and three-layered engineered flooring came into operation.  We started to establish our network of authorized manufacturers for our branded solid wood flooring and a portion of our branded engineered flooring.

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<u>Year</u>	<u>Event</u>
2008	<p>Our sub-brand “Nature · Aesthetics”(大自然·美學館) was introduced.</p> <p>We were recognized by the World Wildlife Fund (WWF) as a “Merit Conservation Supporter.”</p> <p>We were awarded the “Asia Top 500 Brands Award” (亞洲品牌500強) by the Expert Committee Presidium of Asia Brand Assessment System.</p> <p>Our factory for manufacturing multi-layered engineered flooring came into operation.</p>
2009	<p>Our third factory for manufacturing laminated flooring and our factories for manufacturing fiberboards and veneers came into operation.</p> <p>We began to selectively acquire strategic upstream forest assets and acquired standing trees and related concession rights in approximately 46,347 hectares of forests in the Loreto Province, Peru.</p>
2010	<p>We acquired standing trees and related concession rights in approximately 4,445 hectares of forests in Yunnan Province, China.</p> <p>We received the “Zero Carbon Certificate” (零碳證書) from the Shanghai Zero-Carbon Information Technology Center.</p> <p>We became the only designated flooring product provider for the Shanghai World Expo’s London Zero Energy Development Case Pavilion.</p> <p>We received the “Chinese Brand of the Year and Ranking No. 1 in the Wood Flooring Category” (中國品牌年度大獎 No.1 (木地板行業)) from the World Brand Laboratory.</p>

## REORGANIZATION

### **Establishment of the current structure of the Group**

In 2007, we began the Reorganization to streamline the structure of our Group, whereby our Company became the holding company of our Group. On July 27, 2007, our Company was incorporated under the laws of the Cayman Islands as an exempted company to act as the holding company of the subsidiaries in our Group. On the same date, one ordinary share of US\$1 was allotted and issued to Marcia Donaldson and such ordinary share was transferred to Mr. Se Hok Pan. On the same date, 24,999 and 25,000 ordinary shares of US\$1 each in the then issued share capital of our Company were allotted and issued to Mr. Se Hok Pan and Ms. Un Son I, respectively. On May 7, 2008, each of the then issued and unissued ordinary shares of US\$1 each of our Company were subdivided into 1,000 Shares of US\$0.001 each. On the same date, our Company allotted and issued a further 10,000,000 Shares to each of Mr. Se Hok Pan and Ms. Un Son I. On May 7, 2008, Mr. Se Hok Pan and Ms. Un Son I transferred their respective interests in our Company to Freewings and Freewings became our Controlling Shareholder. For further details about the change in the share capital of our Company, please refer to the paragraph headed “Investment by MS Flooring, IFC and

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Headland HAV3” below and the section headed “Appendix IX — Statutory and General Information — Further Information about our Company and our Subsidiaries — Changes in share capital of our Group — The Company” in this prospectus.

Pursuant to the Reorganization, Mr. Se Hok Pan and Ms. Un Son I transferred, directly or through the companies owned by them, their respective interests in our then subsidiaries to our Company. The Reorganization was completed on May 8, 2008 and our Company became the holding company of our Group. The SAFE issued a public notice, or the SAFE Circular No. 75, on October 21, 2005, which became effective on November 1, 2005. The SAFE Circular No. 75 requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the SAFE Circular No. 75 as an “overseas special purpose vehicle,” outside of the PRC for the purpose of overseas equity financing based on assets or interest in China, and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC. As advised by our PRC legal advisor, Haiwen & Partners, because none of Mr. Se Hok Pan, Ms. Un Son I and other beneficial owners of our Company are PRC residents under the SAFE Circular No. 75, they are not required to register with the SAFE in respect of their investments in our Group in accordance with PRC laws. For further details, please refer to the section headed “Appendix VIII — Summary of Principal PRC and Peruvian Legal and Regulatory Provisions — PRC Laws and Regulations — relating to Foreign Exchange” in this prospectus.

After completion of the Reorganization on May 8, 2008, we established three new subsidiaries in Hong Kong, namely China Flooring Trading Company Limited, Sun Pine Investment Limited and Nature Casa Holding Company Limited, as investment holding companies. We also established three subsidiaries in the PRC, namely Jiangxi Forest for our plantation businesses, Nature Flooring (China) Co., Ltd. (大自然地板(中國)有限公司) for our trading of flooring products businesses, and Jiangxi Yingran for our laminated flooring manufacturing businesses.

For details of our subsidiaries which have undergone changes in their respective share capitals during the two years immediately prior to the date of this prospectus, please refer to the sections headed “Appendix IX — Statutory and General Information — Further Information about our Company and our Subsidiaries — Changes in share capital of our Group — Our Subsidiaries” in this prospectus.

### **Disposal of Asia Hero Enterprises Limited**

In December 2010, we disposed of our entire shareholding interest in Asia Hero Enterprises Limited to an independent third party for a consideration of HK\$48,000,000. The consideration was determined with reference to the fair value of the net assets of Asia Hero Enterprises Limited. A loss of approximately RMB232,000 was resulted from the disposal.

The sole asset of Asia Hero Enterprises Limited was its entire equity interest in Hailin Yingtai. Hailin Yingtai was engaged in the manufacturing of our three-layered engineered flooring before the disposal. The factory of Hailin Yingtai was located in Heilongjiang Province, the PRC, which was far

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away from the headquarters of the Group in Shunde, the PRC and the manufacturing capacity of Hailin was significantly smaller than those of our other manufacturing plants. This remote location and its relatively small operating scale of the factory of Hailin Yingtai made the management and logistics less efficient. In view of that, our Group decided to dispose of its equity interest in Asia Hero Enterprises Limited and Hailin Yingtai. For the years ended December 31, 2008, 2009 and 2010, the annual production capacity of Hailin Yingtai was 370,000, 370,000 and 340,000 sq.m., respectively. For the years ended December 31, 2008 and 2009, and from January 1, 2010 until the disposal of Asia Hero Enterprises Limited, the volume of engineered flooring produced by Hailin Yingtai was 250,840, 231,156 and 214,139 sq.m., respectively, the volume of engineered flooring sold by Hailin Yingtai was 144,858, 127,746 and 416,665 sq.m., respectively, and the operating loss before income tax of Asia Hero Enterprises Limited was approximately RMB3,686,000, RMB3,569,000 and RMB3,107,000, respectively. The increase in the volume of engineered flooring sold by Hailin Yingtai in 2010 was due to its disposal of inventory produced in the years ended December 31, 2008 and 2009. After completion of the disposal, our Group engaged, on an arm's length basis, Hailin Yingtai as our authorized manufacturer for three-layered engineered flooring products. We charge Hailin Yingtai trademark and distribution network usage fees.

### **TRANSFER OF INTERESTS IN FREEWINGS TO TEAM ONE INVESTMENTS AND TRADER WORLD**

#### **Team One Investments**

On May 7, 2011, Mr. Se Hok Pan transferred his shareholding interest of approximately 44.92% of the shares of Freewings to Team One Investments. Team One Investments is an investment holding company incorporated under the laws of BVI on March 1, 2011, the entire issued share capital of which is held by Mr. Se Hok Pan.

#### **Trader World**

On May 7, 2011, Ms. Un Son I transferred her shareholding interest of approximately 39.81% of the shares of Freewings to Trader World. Trader World is an investment holding company incorporated under the laws of BVI on March 1, 2011, the entire issued share capital of which is held by Ms. Un Son I.

### **INVESTMENT BY MS FLOORING, IFC AND HEADLAND HAV3**

#### **MS Flooring and IFC's Investment in Our Company**

On May 8, 2008, pursuant to a convertible note purchase agreement dated May 8, 2008 among our Company, MS Flooring, the Controlling Shareholders other than Mr. She Jian Bin, Team One Investments and Trader World we issued to MS Flooring the MS Convertible Notes at the consideration of US\$50 million and one Special Share at the nominal consideration of US\$0.001. On May 29, 2008, pursuant to a convertible note purchase agreement dated May 21, 2008 among our Company, IFC, the Controlling Shareholders other than Mr. She Jian Bin, Team One Investments and Trader World we issued to IFC the IFC Convertible Notes at the consideration of US\$20 million. MS Flooring and IFC had made an investment in our Company after taking into consideration various factors, including but not limited to our Group's brand, products, management team and distribution network. The consideration paid by MS Flooring and IFC was determined with reference to various factors, including the financial performance of our Group in 2007 as well as the future earning capability of our Group. We used the proceeds of the Convertible Notes primarily to fund the expansion of our Group.

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In connection with the issue of the MS Convertible Notes, we entered into a shareholders and noteholders agreement dated May 8, 2008 with MS Flooring, the Controlling Shareholders other than Mr. She Jian Bin, Team One Investments and Trader World and in connection with the issue of the IFC Convertible Notes, we entered into the Shareholders' Agreement dated May 21, 2008 (which amended and restated the shareholders and noteholders agreement dated May 8, 2008). In March 2009, Mr. Se transferred 8.69% of the shares in Freewings to Mr. She Jian Bin at nil consideration as a gift to his family member. As Mr. She Jian Bin became a shareholder of Freewings, pursuant to a supplemental agreement dated April 21, 2009 among our Company, MS Flooring, IFC and the Controlling Shareholders other than Team One Investments and Trader World, Mr. She Jian Bin agreed to be bound by the Shareholders' Agreement as a Controlling Shareholder. Team One Investments and Trader World agreed to be bound by the Shareholders' Agreement, each as a Controlling Shareholder, with effect from the date on which they became shareholders of Freewings.

The Special Share gives MS Flooring no rights other than the right to vote at shareholders meetings of our Company with respect to certain specified reserved matters set out in the Shareholders' Agreement. MS Flooring and IFC were also given customary minority shareholders' rights under the Shareholders' Agreement, such as pre-emptive rights, anti-dilution adjustments, tag-along rights, restrictions on transfer, reserved matters, information rights and minority protection rights. In addition, our Company and the Controlling Shareholders provide certain indemnities to MS Flooring and IFC, including in relation to undisclosed liabilities of our Group, liability of our Directors who are appointed by MS Flooring and IFC, and tax and any other losses suffered by MS Flooring or IFC in their capacity as our Shareholders prior to the Global Offering, and the obligations of our Company under the Shareholders' Agreement and related documents are guaranteed by the Controlling Shareholders. The rights granted to MS Flooring and IFC under the Shareholders' Agreement will be terminated upon completion of the Global Offering except for:

- (i) in the case of MS Flooring and IFC:
  - certain indemnities provided by our Company and the Controlling Shareholders in relation to undisclosed liabilities of our Group, liability of our Directors who are appointed by MS Flooring and IFC, and tax and any other losses suffered by MS Flooring or IFC in their capacity as our Shareholders prior to the Global Offering, and certain guarantees provided by the Controlling Shareholders in relation to the Company's obligations which arise or accrue prior to the Global Offering;
  - certain transfer restrictions applicable to Freewings set out in the paragraph headed "Certain Transfer Restrictions" below; and
  - certain confidentiality obligations owed by our Company, MS Flooring, IFC and the Controlling Shareholders to each other, and
- (ii) in the case of IFC only:
  - information rights in relation to criminal and other material litigation, investigation and other proceedings;
  - access to our Group's premises and other information (where such information is not non-public price sensitive information) including books and records of any member of our Group, information relating to any sanctionable practice (such as fraudulent or corrupt practice) or prohibited activities (such as use of child labor, production or trade in weapons, radioactive materials, alcohol and tobacco) of our Group; and

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- access to employees, agents, contractors and subcontractors of any member of our Group.

The two non-executive Directors who are representatives appointed by MS Flooring pursuant to the Shareholders' Agreement will be subject to retirement by rotation according to our Articles. In addition, a share pledge over certain Shares was created by Freewings in favor of MS Flooring and IFC to secure certain obligations. Such share pledge will also be terminated upon completion of the Global Offering.

IFC, a member of the World Bank Group, is an international development institution. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments. The information rights and access rights which continue to be available to IFC after completion of the Global Offering help IFC safeguard its mission as an international development institution and are measures to help IFC ensure the compliance by our Company with the obligations in relation to environmental standards, insurance and anti-corruption set out below. Such information rights and access rights do not give any preferential treatment to IFC in respect of non-public price sensitive information. Save as set out above, no special rights granted to MS Flooring and IFC under the Shareholders' Agreement will subsist after completion of the Global Offering.

In order for IFC to safeguard its mission as an international development institution, our Company has also agreed with IFC that we will comply with certain obligations, namely (i) obligations to meet certain environmental standards; (ii) obligations to maintain insurance over the Group; and (iii) obligations to satisfy certain anti-corruption guidelines. These obligations serve to enhance the corporate governance of our Group, and further details are set out below:

(i) Environmental and social policy

Our Company will implement environmental and social monitoring systems acceptable to IFC, and comply with standards set out in IFC's environmental and social policies. These environmental and social policies are applied by IFC as a means of putting into practice its commitment to social and environmental sustainability. Such environmental and social policies define responsibilities or approaches for managing business operations and investment projects and include certain performance standards. These performance standards cover the following areas: social and environmental assessment and management system, labor and working conditions, pollution prevention and abatement, community health, safety and security, land acquisition and involuntary resettlement, biodiversity conservation and sustainable natural resource management, indigenous peoples and cultural heritage.

Apart from the above environmental policies we have agreed with IFC that we will comply with, we are also subject to environmental regulations of the PRC and other relevant jurisdictions where we conduct our business. See "Business — Environmental and Safety Matters — Environmental Compliance".

(ii) Insurance

Our Company will insure and keep insured the assets and businesses of our Company's operating subsidiaries which can be insured.



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### (iii) Anti-corruption

Our Company will not undertake certain sanctionable practices (including actions undertaken for the purpose of bid rigging or certain other threatened or actual illegal actions) or make certain prohibited payments (including kickbacks and bribery to violate or derogate a duty owed by the recipient in order to obtain an undue advantage or to avoid an obligation, and facilitation payments).

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

Immediately after the Global Offering and the Capitalization Issue, MS Flooring will hold 269,999,990 Shares and IFC will hold 108,000,000 Shares, representing 18.08% and 7.23%, respectively, of the total number of Shares in issue, assuming the Over-allotment Option has not been exercised and not taking into account any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme.

### **Loans from IFC**

On May 21, 2008, IFC also entered into separate loan agreements with Zhongshan Nature, Jiangxi Nature, Kunshan Nature, Zhangjiagang Nature, Guangdong Yingran and Hailin Yingtai. Following a restructure of the loans in September 2009, the loans to Zhangjiagang Nature and Guangdong Yingran were repaid, and as of the Latest Practicable Date, amounts of US\$2.4 million, US\$5.2 million and US\$2.8 million were outstanding from Zhongshan Nature, Jiangxi Nature and Kunshan Nature, respectively. The loans are to be repaid in equal six monthly installments between June 15, 2010 and December 15, 2014. The loans are secured by collateral granted to IFC by certain members of our Group, are guaranteed by our Company, and entitle IFC to certain rights over our Group, including matters such as covenants by the borrowers to allow access by IFC to the premises of the respective borrowers, to comply with certain safety and environmental standards set by IFC, to seek IFC's consent prior to any payment of dividends, restructuring of our Group, or entry into new

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loans, and also to provide detailed financial and operational reporting updates to IFC within certain periods prescribed in the loan agreements.

### Headland HAV3

Pursuant to the terms of the Headland HAV3 SPA, Freewings transferred 2,307,827 Shares (representing approximately 2% of our Company's then issued Share capital) to Headland HAV3 on September 30, 2010 at the consideration of RMB80 million. Headland HAV3 had made an investment in our Company after taking into consideration various factors, including but not limited to our Group's brand, products, management team and distribution network. The consideration paid by Headland HAV3 was determined after arm's length negotiation between Headland HAV3 and Freewings and was based on Headland HAV3's internal investment appraisal after taking into account its estimated profitability of the Group.

In the event that the consolidated net income of our Group for the year ended December 31, 2010 (adjusted to exclude certain agreed items of income and expense) falls below a certain performance benchmark, Freewings is required to pay to Headland HAV3 an amount equal to 0.19 times the shortfall. Such amount has been determined at RMB2,999,232, and will be paid by Freewings to Headland HAV3 after completion of the Global Offering.

Pursuant to the terms of the Headland HAV3 SPA, in the event that the pre-money valuation of our Company at the time of the Global Offering, calculated based on the Offer Price, falls below Headland HAV3's implied valuation of our Company at the time of its investment, Freewings is required to pay to Headland HAV3 an amount equal to the difference between, on the one hand, RMB80 million (being the consideration paid by Headland HAV3 at the time of its investment), and, on the other hand, 2% of the difference between the market capitalization of our Shares (calculated based on the Offer Price) and the net proceeds raised from the Global Offering (being approximately Headland HAV3's proportion of the pre-money valuation of our Company at the time of the Global Offering). Such amount, if any, reflects the difference between Headland HAV3's implied valuation of our Company at the time of its investment, and the pre-money valuation of our Company at the time of the Global Offering. Based on the Offer Price of HK\$2.95 (being the lower end of the estimated Offer Price range) and our estimate of the fees and expenses payable by us in relation to the Global Offering, Freewings is required to pay to Headland HAV3 an amount of approximately RMB23 million. Based on the Offer Price of HK\$4.20 (being the higher end of the estimated Offer Price range) and our estimate of the fees and expenses payable by us in relation to the Global Offering, Freewings is not required to make any such payment to Headland HAV3. Such amount, if any, will be paid by Freewings to Headland HAV3 after completion of the Global Offering.

After the Capitalization Issue, Headland HAV3 will hold 23,078,270 Shares and based on the Offer Price of HK\$2.95 (being the lower end of the estimated Offer Price range) and HK\$4.20 (being the higher end of the estimated Offer Price range) and the Renminbi and Hong Kong dollars exchange rate set by PBOC for foreign exchange transactions as at the Latest Practicable Date, Headland HAV3's cost per Share represents a respective discount of approximately 5.5% and 5.0% to the Offer Price.

The Headland HAV3 SPA entitles Headland HAV3 to certain minority shareholders' rights and information rights, which shall terminate upon completion of the Global Offering except for certain transfer restrictions applicable to Freewings set out in the paragraph headed "Certain Transfer Restrictions" below.



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### Certain Transfer Restrictions

From the completion of the Global Offering until six months following the Global Offering, Freewings cannot transfer any equity securities of our Company owned by it, other than pursuant to the Stock Borrowing Agreement. Thereafter, Freewings is permitted to transfer:

- from and after six months following the Global Offering, and so long as any of MS Flooring, IFC and Headland HAV3 remains a Shareholder, an aggregate of up to 5% of the equity securities of our Company owned by it as of the date of the Global Offering;
- from and after 18 months following the Global Offering, and so long as any of MS Flooring and IFC remains a Shareholder, an aggregate of up to (i) 20% of the equity securities of our Company; or (ii) the amount of Shares and other equity securities of our Company sold or otherwise disposed of by MS Flooring and IFC following the Global Offering, whichever is lower; and
- from and after 30 months following the Global Offering, all of the remaining equity securities of our Company owned by it.

### DESCRIPTION OF OUR INVESTORS

Immediately after the Global Offering and the Capitalization Issue, MS Flooring will be a substantial shareholder of our Company, but will not be connected to any of our Controlling Shareholders, and neither IFC nor Headland HAV3 will be connected to our Group or our Controlling Shareholders.

MS Flooring is an exempted company incorporated in the Cayman Islands with limited liability and is wholly-owned by MSPEA III Cayman. MSPEA III Cayman is an exempted company incorporated in the Cayman Islands with limited liability, whose majority shareholder is MSPEA III, a fund managed by the private equity arm of Morgan Stanley. The general partner of MSPEA III is MSPEA III GP, the managing member of which is MSPEA III Inc., an investment advisor registered with the U.S. Securities and Exchange Commission and which is an indirect wholly-owned subsidiary of Morgan Stanley.

IFC is a member of the World Bank Group and is established by its Articles of Agreement among over 180 member countries, including the PRC.

Headland HAV3 is a wholly-owned subsidiary of The Headland Asian Ventures Fund 3 Limited. The Headland Asian Ventures Fund 3 Limited is managed by Headland Venture Investment Limited. Headland Venture Investment Limited is advised by Headland Venture Partners Limited. Both Headland Venture Investment Limited and Headland Venture Partners Limited are wholly-owned subsidiaries of Headland Capital Partners Limited. 80.1% of Headland Capital Partners Limited is owned by Headland Capital Partners Holdings Limited, which is in turn wholly-owned by the management who are also employees of Headland Capital Partners Limited and its wholly-owned subsidiaries, and 19.9% is owned by The Hongkong and Shanghai Banking Corporation Limited. Headland Capital Partners Limited was formerly known as HSBC Private Equity (Asia) Limited and

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was a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. Headland Venture Partners Limited was formerly known as HSBC Asian Ventures Advisers Limited and The Headland Asian Ventures Fund 3 Limited was formerly known as The HSBC Asian Ventures Fund 3 Limited.

Set out below is a table summarizing the interests held by our Shareholders in our Company and the changes to such interests during the Track Record Period:

Name of Shareholder	Class of Securities	Number of securities held as at			Immediately prior to completion of the Global Offering and the Capitalization Issue <sup>(4)</sup>
		December 31, 2008	December 31, 2009	December 31, 2010	
Freewings	Shares	70,000,000	70,000,000	67,274,676 <sup>(1)(3)</sup>	71,892,173
MS Flooring	MS Convertible Notes	US\$50,000,000	US\$50,000,000	—	—
	Preferred Shares	—	—	29,999,999 <sup>(2)</sup>	—
	Shares	—	—	298,212 <sup>(1)</sup>	26,999,999
	Special Share	1	1	1	—
IFC	IFC Convertible Notes	US\$20,000,000	US\$20,000,000	—	—
	Preferred Shares	—	—	12,000,000 <sup>(2)</sup>	—
	Shares	—	—	119,285 <sup>(1)</sup>	10,800,000
Headland HAV3	Shares	—	—	2,307,827 <sup>(3)</sup>	2,307,827

Notes:

- (1) On June 30, 2010, as a result of certain financial performance targets under the Shareholders' Agreement not being met in respect of the consolidated net income of our Group for the years ended December 31, 2008 and December 31, 2009, pursuant to the terms of the Shareholders' Agreement, Freewings transferred 298,212 Shares to MS Flooring and 119,285 Shares to IFC.
- (2) On June 30, 2010, both MS Flooring and IFC elected to convert all of their Convertible Notes into Preferred Shares.
- (3) On September 30, 2010, Freewings transferred 2,307,827 Shares to Headland HAV3.
- (4) Prior to completion of the Global Offering and the Capitalization Issue, (i) MS Flooring and IFC will convert all of the outstanding Preferred Shares into 29,999,999 Shares and 12,000,000 Shares, respectively, and the Special Share will be redeemed and cancelled; and (ii) as a result of certain financial performance targets under the Shareholders' Agreement being met in respect of the consolidated net income of our Group for the year ended December 31, 2010, MS Flooring and IFC will transfer 3,298,212 Shares and 1,319,285 Shares, respectively to Freewings.

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## OUR SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY BEFORE AND AFTER COMPLETION OF THE GLOBAL OFFERING

The following chart sets out our shareholding and corporate structure immediately prior to completion of the Global Offering, assuming all outstanding Preferred Shares have been converted into Shares on a one for one basis, the Special Share has been redeemed and cancelled and the Share Adjustments have been completed, and without taking into account any Shares which may be issued under the Pre-IPO Share Option Scheme:



