
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment in companies listed on the Stock Exchange. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” from pages 22 to 38 in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of terms” from pages 12 to 20 in this prospectus.

BUSINESS MODEL

We are principally engaged in the production of phthalic anhydride (PA) and fumaric acid. PA produced by our Group can be used in the production of industrial products, such as polyester resins, alkyd resins and plasticisers. Fumaric acid produced by our Group is generally used in the production of industrial products, such as polyester resins and polyhydric alcohols.

Production

Our production facilities are located in Xiamen, Fujian Province, the PRC. We operate under a simple business model with one major raw material, namely orthoxylene (OX) sourcing from independent suppliers in the PRC for our production process. OX is used in the production facilities of PA to produce PA and certain by-products including maleic anhydride (MA), which can be used to produce fumaric acid. OX and MA are organic chemicals derived from crude oil. During the Track Record Period, most of the fumaric acid was produced by MA obtained from the production of PA. Our Group did not have any sales commitment for the sale of fumaric acid during the Track Record Period and up to the Latest Practicable Date. Despite the temporary reduction in MA derived from the production process of PA during the scheduled catalyst replacement process in February 2011, considering that the sale of fumaric acid would contribute positive gross profit to our Group, our Group has sourced MA from independent suppliers to compensate the shortfall in MA supplies derived from the production of PA in order to maximise our profit and utilise the production capacity of fumaric acid. The purchases of MA in the year ended 31 March 2011 and the seven months ended 31 October 2011 by our Group were not arisen as a consequence of unexpected interruptions in the production of PA. Our Company has no intention to source MA from independent suppliers in the event that the MA obtained from the production of PA is sufficient for the production of fumaric acid. You may refer to the paragraph headed “Raw materials” in the section headed “Business” from pages 102 to 104 in this prospectus for further details.

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The production of PA requires the use of catalysts which our Directors consider as normal in the industry to improve the production yield. The below table set out important information in relation to the replacement of catalyst of PA:

	<u>Approximate time</u>
Life cycle of catalyst.....	3 years
Catalyst replacement process (<i>Note</i>).....	1 to 2 months
Time required to restore the optimal production efficiency.	4 to 6 months
Latest replacement of catalyst.....	February 2011
Expected forthcoming replacement of catalyst.	1st quarter of 2014

Note: Since our production process is currently channeled through a single production line, the replacement of catalyst of PA would interrupt the production process and the production facilities of PA of our Group will be suspended during the catalyst replacement process.

The production yield after replacement of catalyst of PA would generally decline at an accelerated rate when approaching the end of its life cycle, i.e. slowly at the initial stage and significantly at the late stage. The production department of our Group would closely monitor the production yield of catalyst and formulate the replacement schedule of the catalysts should it indicate any preliminary signal of deterioration of the catalyst. Based on the historical experience of our Group, the estimated life cycle of catalyst used by our Group is approximately three years. During the Track Record Period and up to the Latest Practicable Date, our Group did not require any additional accelerants to improve our production yield apart from the use of catalyst nor experience any unexpected declines in production levels and production efficiency.

Based on the historical experience of our Group in replacement of catalysts, during the year in which replacement of catalysts takes place, the available production capacity of PA is estimated to decrease by approximately 18% as compared with the original production capacity of PA and our turnover for the year in which replacement of catalysts takes place is estimated to decrease by approximately HK\$38.0 million. The production of fumaric acid does not require the use of catalyst. Details of the basis and assumptions of the above estimation are set out on pages 24 and 25 in the section headed “Risk factors” in this prospectus.

The latest replacement of catalysts was completed in February 2011 and our Group incurred total costs for catalyst replacement process of approximately HK\$2.2 million. Our Group accounted for the cost of replacing catalysts as prepayment at the time of purchases and recognised as cost of sales of our Group throughout its estimated useful life which is currently three years. As at 31 March 2009, 2010, 2011 and 31 October 2011, the carrying amounts of catalysts were approximately HK\$1,388,000, HK\$557,000, HK\$2,032,000 and HK\$1,423,000 respectively. For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the cost of catalysts recognised as cost of sales of our Group were approximately HK\$872,000, HK\$834,000, HK\$746,000 and HK\$658,000 respectively. The forthcoming replacement of catalysts is expected to take place in the first quarter of 2014.

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Sales and marketing

Our products are sold under the brand name “世佳化工”. Our target customers of PA are mainly PRC chemical production plants, engaging principally in the manufacturing of industrial products, such as polyester resins and plasticisers. Similarly, our target customers of fumaric acid are also mainly PRC chemical production plants, engaging principally in the manufacturing of industrial products, such as polyester resins and polyhydric alcohols. We focus on customers in nearby locations in the PRC, namely Fujian Province, Guangdong Province and Shanghai. The prices of the products of our Group have a high transparency in the PRC market since there are market ready information available to the public including, industry website such as China Phthalic Anhydride Guild (<http://www.cpg.org.cn/>) and other public sources. Our Group will determine the selling price and terms of the sales contracts through negotiation with our customers based on the market price of products as quoted in the aforesaid industry website and other public sources and taking into consideration the quality of products produced and our cost structure.

We require some of our customers to settle purchase price in full before collecting our products from our production facilities. We allow certain of our long-standing customers to settle the balances within 30 days. For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the proportion of sales to customers who settled payment in full before their collection of the products were 22.0%, 18.2%, 16.3% and 25.3% respectively. The remaining proportion represents the sales to customers who were allowed to settle balances within 30 days.

In May 2011, di(2-ethylhexyl) phthalate (DEHP), a plastic polymer that is harmful to human beings, was found in a range of food and beverage products. It resulted in attention for food safety concern, and in particular, a number of recalls for plasticiser-tainted food products in Taiwan (the “DEHP incident”). To the best of our Directors’ knowledge and belief, our Group and none of our customers were involved in the DEHP incident or related production and thus it had no material effect on our Group’s results. You may refer to the paragraph headed “Environmental protection and occupational health and safety” in the section headed “Business” from pages 120 to 122 in this prospectus for further details.

Suppliers

We purchase our raw materials, mainly OX, from local suppliers in the PRC and import companies. We choose our suppliers of raw materials mainly based on the price and quality of raw materials offered by different suppliers. The purchases of OX accounted for approximately 98%, 98%, 98% and 95% of our Group’s total purchases of raw materials for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, respectively.

In order to save transportation costs, we conduct business with suppliers for purchase of raw materials in nearby locations in the PRC, such as, Huizhou and Shanghai. Our Group does not engage in sub-contracting and/or tolling operation with our suppliers. We normally settle our payables to suppliers on or before delivery and may also allow to settle our payables within 30 days after receipt of materials for purchases from certain of our suppliers. For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the proportion of purchase from suppliers who requested our Group to settle payment in full before their delivery of the raw materials were approximately 35.9%, 30.7%, 46.5% and 40.2% respectively. The remaining proportion represents the purchase from suppliers who allowed us to settle balances within 30 days after receipt of materials.

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OUR MARKET POSITION

The total production volume of PA in the PRC in 2010 was approximately 1,010,000 tonnes (*Note 1*). Based on the above latest available data and the actual production volume of PA of our Group of approximately 19,800 tonnes during the year ended 31 March 2011, our Group has accounted for approximately 2.0% of the total market share of PA in the PRC. The total production volume of fumaric acid in the PRC in 2009 was approximately 70,100 tonnes (*Note 2*). Based on the above latest available data and the actual production volume of fumaric acid of our Group of approximately 2,829 tonnes during the year ended 31 March 2010, our Group has accounted for approximately 4.0% of the total market share of fumaric acid in the PRC. The production volume of PA and fumaric acid in the PRC is forecasted to increase to approximately 1,250,000 tonnes (*Note 1*) and 82,300 tonnes (*Note 2*) in 2011 respectively. In the event that the our production volume of PA and fumaric acid in year 2011 remain the same as those for the year ended 31 March 2011 of approximately 19,800 tonnes and 2,960 tonnes, our Group would account for approximately 1.6% and 3.6% of the total market share of PA and fumaric acid in the PRC in 2011 respectively. Details of the respective industry information on the consumption and production of PA and fumaric acid are set out on pages 57 and 63 in the section headed “Industry overview” in this prospectus.

Note:

1. According to the 中國苯酐體行業發展研究報告 (*Report on PA Industry Development in the PRC**) prepared by 千訊 (北京) 信息諮詢有限公司 (*Qianinfo (Beijing) Consulting Co., Ltd.**) in 2011 which represents the latest industry report obtained by our Company as at the Latest Practicable Date.
2. According to the 中國富馬酸產品市場格局及投資分析報告 (*the Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis**) published by 北京中經縱橫經濟研究院 (*Beijing Zhongjing Zongheng Economic Research Institution**) in 2011 which represents the latest industry report obtained by our Company as at the Latest Practicable Date.

OUR STRATEGIES AND BUSINESS OBJECTIVES

Our objective is to enhance the return to our Shareholders and to become a leading intermediate chemicals manufacturer in the PRC.

Having considered the market potential and evaluated our Group’s market position and competitive strengths, our Group intends to achieve our business objectives and further growth through the expansion of production capacity to increase market penetration after Listing which is summarised as follows.

Products	Production capacity per annum	
	before expansion	after expansion ^(Note)
	tonne	tonne
PA.....	30,000	50,000
Fumaric acid	4,000	5,000

Note: Construction plan for the expansion is expected to commenced in or around April 2013 and will take approximately 2 months to complete whereas the production facilities are required to be suspended during such construction.

We also expect to broaden our market coverage and increase marketing and promotion activities through setting up representative offices in nearby provinces and enhance advertising through different media.

We intend to apply approximately HK\$35.5 million and HK\$2.1 million, or approximately 85% and 5% of the net proceeds from the Share Offer to the expansion of production capacity and market coverage respectively. Based on the historical experience of our Group in technical upgrade,

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during the year in which the technical upgrade takes place, the available production capacity is estimated to decrease by approximately 19% as compared with the original production capacity before the expansion of production capacity and our turnover for the year in which the suspension of production facilities for the expansion of production capacity takes place is estimated to decrease by approximately HK\$47.1 million. It is envisaged that the production of our Group may be suspended twice for an aggregate duration of approximately 3 to 4 months as a result of both the technical upgrade and the replacement of catalyst of PA during the year ending 31 March 2014, and the adverse implications to our Group arising from each of the technical upgrade and the replacement of catalyst may be aggregated during that year.

In the event of both the construction of the technical upgrade and the replacement of catalyst are to be carried out during the year ending 31 March 2014, based on the historical experience of our Group in both technical upgrade and the replacement of catalyst, the available production capacity of PA and fumaric acid are estimated to decrease by approximately 37% and 19% respectively and our turnover is estimated to decrease by approximately HK\$85.1 million during that year. Details of the basis and assumptions of the above estimations for the implications of the production suspension are set out on pages 24 to 25 in the section headed “Risk factors” in this prospectus. You may refer to the paragraphs headed “Our strategies and business objectives” in the section headed “Business” from pages 90 to 92 and the section headed “Future plans and use of proceeds” on page 193 in this prospectus for further details of our strategies and business objectives and relevant use of proceeds respectively.

RESULTS OF OPERATIONS OF OUR GROUP

The following table is a summary of our Group’s key financial information during the Track Record Period as extracted from the accountants’ report as set out in Appendix I to this prospectus. You should read this section in conjunction with the accountants’ report as set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

Key financial information

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000 (unaudited)	HK\$’000
Turnover.....	175,363	231,125	202,727	123,606	149,413
Gross profit	18,137	36,669	36,386	18,543	19,428
Profit for the year/period attributable to owners of our Company	9,653	32,003	22,046	9,708	9,903
<i>Gross profit margin</i>	<i>10.3%</i>	<i>15.9%</i>	<i>17.9%</i>	<i>15.0%</i>	<i>13.0%</i>
<i>Net profit margin.....</i>	<i>5.5%</i>	<i>13.8%</i>	<i>10.9%</i>	<i>7.9%</i>	<i>6.6%</i>
	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011	
Current ratio.....	0.26	0.58	0.73	0.82	
Gearing ratio	0.84	0.74	0.67	0.64	

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During the Track Record Period, the breakdown of our turnover by products is set out as follows:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of PA	147,582	207,768	171,569	108,313	129,114
Sale of fumaric acid (<i>Note 1</i>)..	19,528	18,293	25,371	9,753	20,149
Sale of raw materials (OX)	2,016	4,769	5,254	5,198	–
Sale of other by-products of PA (<i>Note 2</i>)	311	238	533	342	150
Others	5,926	57	–	–	–
Total	175,363	231,125	202,727	123,606	149,413

Note:

1. During the Track Record Period and up to the Latest Practicable Date, our Group did not purchase fumaric acid for sale.
2. Other by-products of PA includes *o*-xylene in water and mixture of MA and maleic acid (excluding dangerous and controlled chemicals).

The following table shows the fluctuation of our turnover, sales volume gross profit and gross profit margin of PA and fumaric acid during the Track Record Period:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of PA	147,582	207,768	171,569	108,313	129,114
Sale of PA (tonne)	16,769	27,095	19,104	12,585	11,662
Gross (loss)/profit	(1,356)	19,093	13,233	8,715	2,757
Gross (loss)/profit margin	(0.9%)	9.2%	7.7%	8.0%	2.1%

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2010	Seven months ended 31 October 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sale of fumaric acid (<i>Note</i>)....	19,528	18,293	25,371	9,753	20,149
Sale of fumaric acid (tonne)...	2,810	2,764	3,133	1,239	2,299
Gross profit	18,774	17,245	22,339	9,048	16,808
Gross profit margin	96.1%	94.3%	88.0%	92.8%	83.4%

Note: During the Track Record Period and up to the Latest Practicable Date, our Group did not purchase fumaric acid for sale.

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The weighted average selling prices of PA and fumaric acid per tonne during the Track Record Period were as follows:

	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Seven months ended 31 October 2011
	HK\$	HK\$	HK\$	HK\$
Average unit selling price of PA (per tonne)	8,801	7,668	8,981	11,072
Average unit selling price of fumaric acid (per tonne)	6,949	6,618	8,094	8,764

Production capacity of PA and utilisation rate

	Year ended 31 March		
	2009	2010	2011
Designed annual production capacity (tonnes) (<i>Note 1</i>)	25,000	30,000	25,000
Actual production (tonnes)	15,300	25,900	19,800
Estimated annual utilisation rate (%) (<i>Note 2</i>)	61.2	86.3	79.2

Production capacity of fumaric acid and utilisation rate

	Year ended 31 March		
	2009	2010	2011
Designed annual production capacity (tonnes) (<i>Note 1</i>)	2,500	3,000	3,000 ^(<i>Note 3</i>)
Actual production (tonnes)	1,731	2,829	2,960
Estimated annual utilisation rate (%) (<i>Note 2</i>)	69.2	94.3	98.7

Note:

- Our designed annual production capacity of PA and fumaric acid increased to 30,000 tonnes and 3,000 tonnes respectively as a result of technical improvement conducted in April 2008. However, the designed annual production capacity of PA and fumaric acid was reduced to 25,000 tonnes and 2,500 tonnes respectively in the year ended 31 March 2009 after taking into account the proportionate decrease in production capacity of PA and fumaric acid for the suspension of production of PA and fumaric acid for approximately two months as a result of the technical improvement. The designed production capacity of PA in the year ended 31 March 2011 was reduced from 30,000 tonnes to 25,000 tonnes after taking into account the proportionate decrease in production capacity of PA for the suspension of production facilities of PA for replacement of catalyst of PA in February 2011. The production of fumaric acid does not require the use of catalyst. The designed annual production capacity did not reflect the time taken for production to reach optimal levels following the increase in capacity.
- Our estimated annual utilisation rate for each of the three years ended 31 March 2009, 2010 and 2011 is calculated based on the actual production volume of our products for the relevant year divided by the designed production capacity of our Group as at 31 March 2009, 2010 and 2011 respectively.
- Despite the reduction in the designed annual production capacity of PA in the year ended 31 March 2011 as a result of the replacement of catalyst of PA in February 2011, the production facilities of fumaric acid remained uninterrupted during that time as the production facilities of PA and fumaric acid are separated and operated independently. As such, the designed annual production capacity of fumaric acid in the year ended 31 March 2011 remained unchanged at 3,000 tonnes.

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Highlights of analysis of our financial results

Our turnover reduced by approximately 12.3% and the profit attributable to our equity holders reduced by approximately 31.1% for the year ended 31 March 2011, which were mainly attributable to, among other things, the suspension of PA production for approximately 52 days during the year ended 31 March 2011 as a result of the replacement of catalysts used in PA production and the absence of the gain on disposal of subsidiaries and an associate of approximately HK\$5.4 million recognised in the year ended 31 March 2010, where such adverse effect was partly offset by the rise of average selling price of our Group's products. Our Group sold approximately 16,769 tonnes and 27,095 tonnes of PA for the years ended 31 March 2009 and 2010, which exceeded the designed annual production capacity and/or actual production volume during those years. It was mainly attributable to the sales of opening inventory of PA which has approximately 3,463 tonnes and approximately 1,994 tonnes as at 1 April 2008 and 1 April 2009 respectively. The inventory balance of PA had reduced to approximately 799 tonnes as at 31 March 2010. On the other hand, our Group sold approximately 2,810 tonnes and 3,133 tonnes of fumaric acid for the years ended 31 March 2009 and 2011, which exceeded the designed annual production capacity and/or actual production volume during those years. It was mainly attributable to the sales of opening inventory of fumaric acid which has approximately 1,241 tonnes and 227 tonnes as at 1 April 2008 and 1 April 2010 respectively. The closing inventory balance of fumaric acid as at 31 March 2009 and 31 March 2011 was approximately 162 tonnes and 54 tonnes respectively.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our Group's gross profit margin was approximately 10.3%, 15.9%, 17.9% and 13.0% respectively. During the Track Record period, our Group's gross profit margin was mainly affected by the market prices of PA and OX and the sales mix of PA and fumaric acid whereas the gross profit margin of fumaric acid was higher than that of PA. We mainly produced fumaric acid from MA derived in production of PA. As MA was an incidental product obtained from the production process of PA without any extra processing work, no direct and overhead costs related to the production process of PA was allocated to the production of MA. As such, the gross profit margin of fumaric acid during the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was higher than that of PA and reached approximately 96.1%, 94.3%, 88.0% and 83.4% respectively. As our Group purchased MA from independent suppliers to supplement the shortfall of MA obtained from PA during the year ended 31 March 2011 and the seven months ended 31 October 2011, the cost of fumaric acid and other by-products of PA sold increased accordingly and the gross profit margin of fumaric acid during the same period decreased to approximately 88.0% and 83.4% respectively.

Our current ratio increased from 0.26 as at 31 March 2009 to 0.58 as at 31 March 2010, and further increased to 0.73 as at 31 March 2011 and 0.82 as at 31 October 2011, primarily due to the cumulation of cash inflows resulting from the profits earned, disposal of subsidiaries and an associate and the reduction of receipts in advance. Our gearing ratio decreased from 0.84 as at 31 March 2009 to 0.74 as at 31 March 2010 and further decreased to 0.67 and 0.64 as at 31 March 2011 and 31 October 2011, primarily due to increase in total assets as a result of the cumulation of cash inflows resulting from the profits earned. During the years ended 31 March 2009, 2010 and 2011, our Group also sold our major raw material, OX to our customers when (i) there was request from customers with good business relationship; and (ii) our Group had excess OX for our production of PA. Almost all OX purchased by our Group is consumed in the production of PA. For the seven months ended 31 October 2011, there was no request from customers for selling of raw materials. As such, no sales of raw materials were recorded. Based on the aforesaid, our Directors considered that our Group did not engage in speculative trading of raw materials during the Track Record Period.

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You may refer to the section headed “Financial information” from pages 141 to 192 in this prospectus for further details of analysis of our financial results during the Track Record Period.

FINANCIAL POSITION AND NET OPERATING CASH FLOW OF OUR GROUP

As at 31 October 2011, we had net current liabilities of approximately HK\$25.0 million which is mainly attributable to the amounts due to a Director and a Shareholder with an aggregate of approximately HK\$80.0 million and bank borrowings of approximately HK\$60.9 million. There were no financial covenants in relation to the bank borrowings during the Track Record Period and up to the Latest Practicable Date. Upon the completion of the Reorganisation, our Directors believe that our Group will record net current assets positions.

For the seven months ended 31 October 2011, we had net cash flows used in operating activities of approximately HK\$9.7 million. This was primarily due to an increase in trade and bills receivables of approximately HK\$17.7 million as a result of, among others, sales to our customer in October 2011 of approximately HK\$46.7 million, of which HK\$32.0 million represents sales to customers which were allowed to settle balances within 30 days as compared to sales of approximately HK\$27.8 million in March 2011, of which HK\$24.7 million represents sales to customers which were allowed to settle balances within 30 days, and were partially offset by cash flows from operating activities before working capital adjustments.

LATEST BUSINESS TRENDS

As at 31 January 2012, the total banking facilities of our Group of approximately HK\$61,520,000 were fully utilised. From 1 February 2012 up to the Latest Practicable Date, our Group did not obtain any new banking facilities. Our Directors observe that despite the recent credit tightening and the global market volatility, our Group renewed our existing banking facilities in September 2011 and maintained a stable number of customers during the period from November to December 2011. The debt-to-equity ratio of our Group as at 31 October 2011, which is calculated based on the net debt (*Note*) divided by total equity, was approximately 1.4. You may refer to the paragraph headed “Our Group has high debt-to-equity ratios and may not be able to raise necessary funds in the future” in the section headed “Risk factors” on page 31 in this prospectus for details. The production volume of PA and fumaric acid remained stable since 31 October 2011 and up to 31 January 2012, with the average monthly production of PA and fumaric increased from approximately 1,679 tonnes and 332 tonnes respectively during the seven months ended 31 October 2011 to approximately 2,225 tonnes and 336 tonnes during the three months ended 31 January 2012 respectively.

There was no material change in the gross profit margin of our Group between the seven months ended 31 October 2011 and from 1 November 2011 up to 31 January 2012. The average unit selling prices of PA and fumaric acid increased steadily during the period from 1 November 2011 of approximately HK\$11,934 and HK\$8,554 respectively to 31 January 2012 of approximately HK\$12,837 and HK\$8,688 respectively. For further details of analysis of fluctuation of gross profit margin during the Track Record Period, please refer to the paragraph headed “Gross profit and gross profit margin” in the section headed “Financial information” from pages 150 to 152 in this prospectus.

Note: Net debt is defined as the total debt net of cash and cash equivalents.

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The Listing expenses to be borne by our Company are estimated to be approximately HK\$23.2 million (being approximately 35.7% of the gross proceeds from the Share Offer) (assuming an Offer Price of HK\$1.30 per Offer Share, being the midpoint of the indicative Offer Price range of HK\$1.10 to HK\$1.50 per Offer Share), of which approximately HK\$16.4 million is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity and approximately HK\$6.8 million are to be charged to profit or loss of our Group. Approximately HK\$1.2 million and HK\$2.2 million of the Listing expenses has been charged to profit or loss of our Group for the year ended 31 March 2011 and seven months ended 31 October 2011 respectively. It is noted that the Listing expenses above are the latest practicable estimate for reference only and the actual amount to be recognised in the financial statements of our Group is subject to adjustment based on the audit and the changes in variables and assumptions.

RISK FACTORS

Our Directors consider that the business and operations of our Group and the Share Offer are subject to a number of risk factors, which can be categorised into (i) risks relating to our business; (ii) risk relating to our industry; (iii) risks relating to the PRC; (iv) risks relating to the Share Offer; and (v) risks relating to statements made in this prospectus. You may refer to the section headed “Risk factors” in this prospectus from pages 22 to 38 in this prospectus for details of these risks. The following is a summary of the major risks relating to our business:

- We are highly dependent on a limited number of our key customers and may be difficult to secure business from other customers to offset any loss in key customers.
- Our production facilities may be required to suspend due to replacement of catalysts and technical upgrade.
- Fluctuation in purchase cost and availability of raw materials may affect our profitability and production.
- Our business operation depends on the sales of limited type of products being PA and fumaric acid.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of HK\$1.10 per Share	Based on an Offer Price of HK\$1.50 per Share
Market capitalisation of the Shares ⁽¹⁾	HK\$220 million	HK\$300 million
Price/earnings multiple ⁽²⁾	10.0 times	13.6 times
Unaudited pro forma adjusted combined net tangible asset value per Share ⁽³⁾	HK\$0.47	HK\$0.56

Notes:

1. The market capitalisation is calculated on the basis of the respective Offer Prices and 200,000,000 Shares in issue and to be issued immediately following the completion of the Share Offer and the Capitalisation Issue, but takes no account of any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, or any Shares which may fall to be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to under the paragraphs headed “Written resolutions of the sole Shareholder on 14 March 2012” on page V-2 in Appendix V to this prospectus.
2. The calculation of the price/earnings multiple on a pro forma fully diluted basis is based on the earnings per Share for the year ended 31 March 2011 at the respective Offer Prices of HK\$1.10 per Share and HK\$1.50 per Share and on the assumption that the Share Offer and the Capitalisation Issue have taken place since 1 April 2010 with a total number of 200,000,000 Shares in issue since 1 April 2010.

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3. The unaudited pro forma adjusted combined net tangible asset value per Share is arrived at after making the adjustments referred to under the paragraph headed “Unaudited pro forma adjusted combined net tangible assets” in the section headed “Financial information” in this prospectus and the 200,000,000 Shares as referred in Note 1 above.

OUR DIVIDEND POLICY

During the year ended 31 March 2011, NWCI declared a dividend in the sum of approximately HK\$23.2 million to its sole shareholder, Great Top. On 10 November 2011, Great Top declared a dividend in the sum of HK\$10.0 million. The above dividends had been fully settled in cash as at the Latest Practicable Date. Save for the above, our Group did not declare nor pay any dividends to any party during the Trade Record Period. There can be no assurance that we will declare dividends at all in the future. Future dividends, if any will be at the discretion of our Board and will depend upon our future results of operations, capital requirements, general financial position, legal and contractual restrictions and other factors our Board may deem relevant.

Dividends payable by NWCI to our Company or by our Company to our foreign investors may be subject to preferential withholding tax of 5%. Please also refer to the paragraph headed “Our dividend policy” in the section headed “Financial information” on page 188 in this prospectus for further details.

PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

Our Directors intend to apply the net proceeds from the Share Offer to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position. Based on the Offer Price of HK\$1.30 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.10 and HK\$1.50 per Offer Share), the net proceeds from the Share Offer, after deducting underwriting commission and estimated expenses payable by us in connection thereto, are estimated to be approximately HK\$41.8 million. Our Directors presently intend to apply such net proceeds from the Share Offer as follows:

	Total	Proportion to the net proceeds from the Share Offer
	HK\$ million	
Purchase of machinery and equipment	18.8	45%
Setting up of supporting facilities	16.7	40%
Expansion of market coverage	2.1	5%
Subtotal	37.6	90%
Working capital	4.2	10%
Total	41.8	100%

In the event that the Offer Price is finally determined at the highest or lowest end of the indicative Offer Price range between HK\$1.10 and HK\$1.50 per Offer Share, the net proceeds from the Share Offer will increase or decrease by approximately HK\$9.7 million respectively and our Directors intend to apply such additional net proceeds for the above usages on a pro-rata basis. You may refer to the section headed “Future plans and use of proceeds” on page 193 in this prospectus for further details on the proposed use of net proceeds from the Share Offer.