OVERVIEW

We are principally engaged in the production of Phthalic anhydride (PA) and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins.

PA can be applied in the manufacture of construction materials, automotive parts, coatings and other consumer products produced by flexible PVC such as cables, pipes, clothes and shoes, as well as dyes and pigments through the production of polyester resins, alkyd resins and plasticisers. Fumaric acid is generally used (i) in beverages and baking powders for which requirements are placed on purity; (ii) in the manufacture of polyester resins and polyhydric alcohols; (iii) as a mordant for dyes; and (iv) as acidity regulator, acidifier and spice. It is also used in the production of various carbonic acid drink, wine, concentrated solid drink, ice cream and other cold foods and drink.

The sale of PA and fumaric acid, accounted for approximately 84.6% and 12.5% of our Group's turnover for the year ended 31 March 2011 respectively. During the Track Record Period, our Group has sold more than 74,000 tonnes and 11,000 tonnes of PA and fumaric acid respectively. During the Track Record Period and up to the Latest Practicable Date, our Group did not purchase fumaric acid for sale.

The following table sets out a breakdown of our turnover for 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 fumaric acid	19,528	18,293	25,371	9,753	20,149
Sale of raw materials	2,016	4,769	5,254	5,198	–
Sale of other by-products of PA *(Note)*	311	238	533	342	150
Others	5,926	57	–	–	–
Total	175,363	231,125	202,727	123,606	149,413

Note: Other by-products of PA includes o-xylene in water and mixture of MA and maleic acid (excluding dangerous and controlled chemicals).

During the Track Record Period, our Group sold PA, fumaric acid and other by-products of PA which include o-xylene in water and mixture of MA and maleic acid (excluding dangerous and controlled chemicals), under our own brand "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.

Our production facilities are located in Xiamen, Fujian Province, the PRC. We operate under a simple business model with one major raw material, namely OX. We source OX, MA, packaging materials and catalysts used in our production from independent suppliers in the PRC. OX is injected into the production facility of PA and undergoes a series of chemical reaction and purification processes at an optimum environment to produce PA and certain by-products including MA, which further undergoes chemical reaction and purification processes to produce fumaric acid. 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.

We have entered into memorandum of understanding ("**MoU**") which set out the general terms and quality specification of our products for a term of one year with some of our major customers. The MoU serves to show an intent for the parties to enter into subsequent formal sales contract in accordance with the terms set out therein and it is not legally binding. Based on such MoU, we will enter into a formal sales contract with our customers for each sale transaction. These MoU also set out the targets of NWCI and its customers to the sales and purchase of products and various general terms such as type and specifications of product, product collection arrangement and the quality examination procedures whereas the principal terms, including the quantity and price, are to be determined in the formal sales contracts between the parties at arms' length negotiation based on normal commercial terms.

As advised by the PRC Legal Adviser, the MoU serves to show an intent for the parties to enter into subsequent formal sales contract in accordance with the terms set out therein and it is not legally binding. NWCI has the right not to sign formal sales contract with the customers and such act does not constitute a breach of the MoU and hence would not cause NWCI bearing any liability resulting from contractual breach or other legal liabilities. Some of our customers are required to settle purchase price in full before collecting our products from our production facilities and our products are collected by our customers on-site at our production facilities. We strive to produce high quality products in a cost effective and efficient manner under a well-controlled and safe environment.

For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, we recorded turnover of approximately HK$175.4 million, HK$231.1 million. HK$202.7 million and HK$149.4 million and profit attributable to owners of our Company of approximately HK$9.7 million, HK$32.0 million, HK$22.0 million and HK$9.9 million respectively. Our Directors consider that the decreases in our turnover by approximately 12.3% and the profit attributable to our equity holders by approximately 31.1% from the year ended 31 March 2010 to the year ended 31 March 2011 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.

For the year ended 31 March 2011, we have achieved utilisation rate of approximately 79.2% for the production of PA and 98.7% for the production of fumaric acid. Our Directors believe that the Listing will be definitely conducive to the further development of our business by, among others, financing the expansion of our production capacity.

OUR COMPETITIVE ADVANTAGES

Our Directors believe that the success of our Group is principally attributable to the following factors:

Streamlined cost efficient business model

We source raw materials, packaging materials and catalysts from local manufacturers and import companies which import raw materials from overseas markets. During the Track Record Period, we have been able to obtain raw materials from our suppliers on terms and quality acceptable to us. OX, our Group's major raw material, is either delivered by our suppliers by trucks to our production facilities or by ships to a pier near our production facilities and transmitted to the storage tanks in our production facilities through a designated underground pipeline linked between the pier and our production facilities. According to the《利恒碼頭船舶停靠合同》(Agreement for docking and mooring at Li Heng Pier*) and subsequently the《補充協議》(Supplemental Agreement for docking and mooring at Li Heng Pier*) we entered into with 廈門利恒股份有限公司 ("**Li Heng**") on 2 April 2002 and 28 December 2006 respectively (together, the "**Pier Usage Agreements**"), we were allowed to use the Li Heng Pier for ten years starting from 1 May 2002 to 30 April 2012 for mooring OX under an annual fee of RMB80,000. The annual fee will be paid by two installments on 15 January and 15 July in each calendar year respectively. In addition, Li Heng will charge our Group an additional mooring fee of RMB15 per tonne of OX loaded onto the pier to be payable within a week after each usage of the pier. For the years ended 31 March 2009, 2010, 2011 and the seven months ended 31 October 2011, the annual fee incurred by our Group were approximately RMB80,000, RMB80,000, RMB80,000 and RMB47,000 respectively, whereas the additional mooring fee incurred by our Group were approximately RMB235,000, RMB327,000, RMB86,000 and RMB55,000 respectively.

We are required to notify Li Heng our mooring schedule for its consent to use the pier. For each mooring, the time allowed to dock at the pier would be 15 hours per 1,000 tonnes of OX loaded. In this connection, an extra RMB160 would incur for each hour of prolonged usage of the pier beyond what is allowed. Should any government planning affect the operation of the pier and hence, the forced termination of the Pier Usage Agreements due to the inability to perform by both parties, none of the parties would be held liable. Otherwise, there is no termination clause governing the termination of the Pier Usage Agreements. That said, our Group can renew the Pier Usage Agreements a quarter prior the expiry of the agreement period. We intend to renew the Pier Usage Agreements with Li Heng for a further period of ten years starting from 1 May 2012 whereas we signed a confirmation with Li Heng on 19 October 2011 with regard to the above intention. The detailed terms of the renewed agreement will be determined upon the expiry of the Pier Usage Agreements.

The production process of our Group is simple and highly automated, in which only a few technical staff are required to monitor the whole production process. We operate continuously on a 24-hour basis under three shifts. This automatic and low labour intensive production process, in turn, has allowed for lesser likelihood of manual error and hence, the enhanced standardisation and quality of our products. The finished products are solid and can be readily packaged. Instead of arranging direct delivery to our customers, our customers have to collect the products on-site at our production facilities at their own cost, allowing us to lower our costs and improve our profit margins as compared to other competitors which deliver finished products to customers. Our Directors confirm that the whole production cycle as described in the paragraph headed "Production process" in this section normally take about five to seven days.

Under such business model, our costs on production staff and delivery are relatively insignificant and majority of our cost of sales during the Track Record Period was contributed by the purchase of OX. Our Directors believe that having a streamlined cost efficient business model allows our Group to (i) lower overheads, delivery and transaction costs and further enhance our overall cost effectiveness; (ii) synchronise supply and demand along the product value chain given the relatively short and simple production cycle, which enhances our Group's market significance and minimise the market exposures and price risks associated with the volatility of the selling prices of our product and raw materials; (iii) standardise and enhance quality of our products; and (iv) achieve cost-competitive advantage among our competitors.

Extensive demand for our Group's products

Our Group's major product, PA, has a wide range of applications in the downstream industries. PA can be used in the manufacture of (i) plasticisers used in the compounding of PVC resins; (ii) UPR used in glass-reinforced thermoset engineering applications; and (iii) alkyd resins used mainly for surface coatings, all of which are important materials in the construction, automobile and consumer goods industries. According to the Association of Unsaturated Polyster Resins Industry of the PRC, the consumption volume for PA in the PRC recorded a CAGR of approximately 6.0% from 2000 to 2010 and PA has been recorded net import in the PRC during the same period. Accordingly, the domestic production of PA failed to fulfill the domestic consumption in the PRC. Details of the historical consumption and supply of PA in the PRC market are set out under the paragraph headed "PA consumption and supply in the PRC" in the section headed "Industry overview" in this prospectus.

Professional management team and technical staff with extensive experience in the industry

Senior management of our Group have accumulated in depth knowledge in the management and operation of the chemical business. Mr. Choi, who is the chairman and the executive Director and is responsible for the overall strategic development of our Group's operation, has over 15 years of experience in chemical industry and over 20 years of business management experience. Mr. Chen Fan, who is the executive Director and chief executive officer of our Group, has been managing the operation of our Group since 2004. Mr. Wang Sen, who is the general manager of NWCI and is principally responsible for overseeing the overall daily operations of NWCI, has been engaging in the chemical industry specialising in manufacture of PA and related products for about 20 years. Mr. Liu Zhao, who is the production manager of NWCI and is principally responsible for the overall production matters of NWCI, has about 19 years of experience in the production of PA. Prior to joining us, Mr. Wang and Mr. Liu worked for the PA division of other chemical companies in the PRC. In addition, in order to ensure quality of products and maximise the production yield,

experienced and skillful staff are essential to monitor and fine-tune the production process. Our Directors believe that our Group's technical personnel who possessed relevant technical skills and experience has enhanced our competitiveness. Our Directors consider that our Group's industry expertise and good understanding of industry dynamics and regulatory regimes in the PRC will facilitate the formulation and implementation of our future plans and business strategies.

Stringent quality control procedures

Our Directors believe that the quality and reliability of our Group's products are essential to the customers and in upholding the reputation of our Group. Our Group has established comprehensive quality control procedures including, among others, inspection of raw materials, 24-hour monitoring of the specifications along the production process and testing of quality of finished products to ensure our products meet the government standard and satisfy the requirements of our customers. The following table illustrates 中華人民共和國國家標準 (National Standard of the PRC*) GB/T15336-2006 for PA as specified by 國家質檢總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC*) and 國家標準化管理委員會 (Standardisation Administration of the PRC*):

Specifications	Government Standard for "Standard" PA	Government Standard for "Grade A" PA	Government standard for "Premium" PA
Purity	≥99.0%	≥99.5%	≥99.5%
Melting point	≥130.0°C	≥130.3°C	≥130.5°C
% of MA	≤0.50	≤0.30	≤0.20
% of benzoic acid	–	–	≤0.05
Molten colour (color number)	≤100	≤50	≤20
Colour after heating (color number)	–	≤150	≤50
Sulphuric acid colour (color number)	≤150	≤100	≤60

As illustrated in the above table, the PRC government applied three grading system for assessing the quality of PA. They are namely, "Standard", "Grade A" and "Premium" grades, with the quality of PA progressing from "Standard" to "Premium" grade. We have specified in the sales agreements with our customers that the PA manufactured and sold by our Group will be of not lower than "Grade A" grade. During the Track Record Period and up the Latest Practicable Date, all PA manufactured by our Group and sold to our customers were not lower than "Grade A" grade. No customer requested for "Premium" grade products only during the Track Record Period and up to the Latest Practicable Date. As such, our Group has been able to satisfy the requirements of our customers and government standard for "Grade A" grade during the Track Record Period and up to the Latest Practicable Date.

Considering that our Group targets to manufacture and sell PA of not lower than "Grade A" grade as specified in the sales agreements with our customers, we did not maintain production data on the proportion of Group's production attributable to "Premium" PA or "Grade A" PA nor our Group's finished products were labeled or stored separately as "Premium" and "Grade A" PA after the quality control process during the Track Record Period and up to the Latest Practicable Date. The management of our Group will determine the selling price and terms of the sales contracts through negotiation with our customers to arrive at a price and terms acceptable to both parties based on the market price of products and taking into consideration the quality of products produced and our cost structure. Given that our Group targets to manufacture and sell PA of not lower than "Grade A" grade to satisfy the requirements of the customers as specified in the sales agreements, our Group managed

the production of all PA in single production process and there was no separation of production process and cost management between "Premium" and "Grade A" grade PA products. Therefore, there was no difference between cost of production of "Premium" and "Grade A" grade PA products.

Our Group has in place stringent quality control procedures to ensure our finished products meet the requirements of our customers and the specifications of our products are in line with the government standard imposed for "Premium" PA and "Grade A" PA, as the case may be. Our Group has setup a quality control department consisting of five staff with an average of over 8 years of working experience relating to chemical industry as at the Latest Practicable Date, where 4 of them have attained vocational training on chemical production. Our Group has been first awarded ISO9001:2000 certification in October 2008 for the manufacture and sale of PA and we had successfully renewed the said certificate (being revised by ISO to ISO 9001:2008, as amended from time to time) to be valid until October 2014. During the Track Record Period and up to the Latest Practicable Date, there had been no returned products by our customers, nor our Group has received any complaints or claims from our customers. Our Directors believe that, by leveraging on our stringent quality control procedures, our Group will be able to establish market recognition and sustain the market position in the industry.

Our expansion and development plans are well-positioned to capture the market share

Considering (i) that domestic consumption of PA was higher than domestic production in the PRC; (ii) the competitive advantage of domestic products against imported products in terms of transportation costs and delivery time; and (iii) the high utilisation rate of the production facilities of our Group, our Directors expect that our Group can capture the market share in the PRC by enhancing the production capacity of our Group. Our Group intends to apply the net proceeds from the Share Offer to increase the annual production capacity from the current 30,000 tonnes of PA and 4,000 tonnes of fumaric acid to 50,000 tonnes of PA and 5,000 tonnes of fumaric acid. Our Directors does not foresee major difficulties in sourcing sufficient raw materials after the completion of the expansion plan of our Group given that we have relatively long-established clientele relationship with our major suppliers, most of which are state-owned enterprises with large production capacity and will be able to meet our increased demand for raw materials. Given that our major raw material is either delivered to us by trucks to our production facilities or transmitted to the storage tanks in our production facilities through the underground pipelines, and we can expand the storage of raw materials by increasing the capacity of storage tank, our Director considered that the underground pipeline can cope with the increased demand for raw materials. Details of the expansion plan are set out under the paragraph headed "Our strategies and business objectives" in this section.

OUR STRATEGIES AND BUSINESS OBJECTIVES

Our objective is to enhance the return to our Shareholders through exploiting our competitive advantages to grow further with an aim to becoming 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 implementation of the following strategies:

Expansion of production capacity to increase market penetration

We currently have one production line with an annual production capacity of approximately 30,000 tonnes of PA and 4,000 tonnes of fumaric acid and the production capacity utilisation rate of PA and fumaric acid was over 79% and 98% respectively for the year ended 31 March 2011. In view of the anticipated growth in demand for our products and to further capture the market share, our Group is planning to set up one more production line for the production of PA around the second quarter of 2013. As mentioned above, the replacement of catalysts every three years may impede our production capacity for up to two months, therefore, it is our aim to set up the new production line to have a different catalysts replacement schedule with the existing production line to maintain a continuous production capacity of PA. We plan to expand our production capacity by purchasing and installing new machinery and equipment such as the fixed-bed tubular reactor and setting up of supporting facilities, including, among others, water and material circulation facilities, water treatment system and installation components for, among others, setting up of an additional production line in respect of production of PA and fumaric acid in order to increase the annual production capacity by 20,000 tonnes to 50,000 tonnes for PA and by 1,000 tonnes to 5,000 tonnes for fumaric acid upon completion of the construction plan. During the year ending 31 March 2013, our Group estimated the capital expenditure of approximately HK$18.8 million will be used for the purchase and installation of machinery and equipment relating to expansion of production facilities, and approximately HK$16.7 million will be used for the setting up and installation of supporting facilities to support the expansion and upgrading of the production capacity. No land cost and construction cost are expected to be incurred by our Group. No costs in relation to the aforesaid expansion of production capacity have been incurred by our Group as at the Latest Practicable Date.

Such expansion of production capacity is expected to take place around the second quarter of 2013. There are various procedures we need to undertake to implement this construction plan, including but not limited to, (i) applying for the licences to set up supporting facilities that produces dangerous chemicals; (ii) obtaining quotations from various contractors; and (iii) sourcing and installing the machineries. We anticipate that these procedures can be carried out simultaneously and the construction works for the expansion of production capacity can be commenced in or around April 2013. Our Directors expect that since the production process of our Group is simple and highly automated whereas production process is channeled through a single production line, as such our production facilities will be required to suspend for about two months for completion of the construction plan and the trial production will last for a further one month period. Our Group will carry out more stringent quality control procedures on the finished goods produced since the completion of construction plan and trial production, which would take approximately one months and increase the extent of quality check on finished goods. Based on the aforesaid timeline, we will be able to commence full commercial production with upgraded capacity in or around mid 2013. However, no revenue will be generated by our Group during the suspension of the production facilities of PA and fumaric acid and our revenue and profitability will be adversely affected in short term in this regard.

Based on the estimated time required for the suspension of production facilities and trial production, the available production capacity is estimated to decrease by approximately 19% for the year ending 31 March 2014 as compared with the original production capacity before the expansion of production capacity.

To the best knowledge and estimate of our Directors, assuming that (i) the average selling price of PA and fumaric acid are the same as that for the year ended 31 March 2011; (ii) annual production capacity of PA and fumaric acid remain at 30,000 tonnes and 4,000 tonnes respectively; (iii) annual production utilisation rates of PA and fumaric acid are 79.2% and 98.7% respectively, which are the same as the annual production utilisation rates of PA and fumaric acid for the year ended 31 March 2011; (iv) products produced by our Group will be sold in the same year; and (v) without taking into account of the possible increase in turnover of our Group as a result of the expansion of production capacity, our turnover for the year in which the suspension of production facilities for the expansion of production capacity will be taken place is estimated to decrease by approximately HK$47.1 million.

As advised by our PRC Legal Adviser, the expansion plan requires various approvals, permits and licenses from the relevant authorities. The aggregate application processes are estimated to be around one to two months. As advised by our PRC Legal Adviser, there are no legal impediments to obtain the aforesaid permits by our Group in a timely manner.

Broaden our market coverage and increase marketing and promotion activities

A key objective of our growth strategy is to broaden our market coverage and customer base. We intend to expand our existing sales to nearby locations around Fujian Province in the PRC. Having considered the expected increase of our production capacity, we target to extend our market coverage by setting up two representative offices in other nearby provinces such as Guangzhou and Zhejiang province by our sales and marketing team in one year from Listing. In addition, in order to broaden our customer base we intend to increase headcount of our sales and marketing team by four employees and promote our branding by way of advertisement or market campaign through various media, such as advertising through in-store periodicals and magazines relating to chemical industry and publishing press releases. Our Group will continuously explore the development in other geographical locations after assessing and evaluating the potential demand for our Group's products. Our Group estimated to spend approximately HK$2.1 million on the aforesaid strategies.

OUR PRODUCTS

Our products mainly comprise PA and fumaric acid. The table below sets out the breakdown of our turnover 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 fumaric acid *(Note 1)*	19,528	18,293	25,371	9,753	20,149
Sale of raw materials	2,016	4,769	5,254	5,198	–
Sale of other by-products of PA *(Note 2)*	311	238	533	342	150
Others	5,926	57	–	–	–
Total	175,363	231,125	202,727	123,606	149,413

Notes:

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 table below sets out the sales volume 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
	tonne	tonne	tonne	tonne (unaudited)	tonne
Sale of PA *(Note 1)*	16,769	27,095	19,104	12,585	11,662
Sale of fumaric acid *(Note 2)* .	2,810	2,764	3,133	1,239	2,299

Notes:

1. *Our Group sold 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.*

2. *Our Group sold 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.*

The weighted average selling prices and weighted average costs 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	8,098	8,764
Average unit cost of PA (per tonne)....	8,882	6,963	8,288	10,835
Average unit cost of fumaric acid (per tonne).....	268	379	968	1,453

Phthalic anhydride ("PA")

PA is an organic compound and a product of our Group. This anhydride of phthalic acid, a colourless acid in white semi-transparent needle-like crystallised powder, is an important industrial chemical, especially for large-scale production of plasticisers of plastics. PA is widely used in polyester resins, alkyd resins, and plasticisers for applications in the manufacture of construction materials, automotive parts, coatings, and other consumer products. The three principal applications of PA are: (i) phthalate plasticisers used in the compounding of PVC resins; (ii) UPRs used in

glass-reinforced thermoset engineering applications; and (iii) alkyd resins used mainly for surface coatings. Details of the major usage of PA are set out under the paragraph headed "The PA market in the PRC" in the section headed "Industry overview" in this prospectus.

Fumaric acid

Fumaric acid is a white crystalline compound. The salts and esters of fumaric acid are known as fumarates. Fumaric acid has bacteriostatic and antiseptic function and is non-toxic. It is generally used (i) in beverages and baking powders for which requirements are placed on purity; (ii) in the manufacture of polyester resins and polyhydric alcohols; (iii) as a mordant for dyes; and (iv) as acidity regulator, acidifier and spice. Fumaric acid is also widely used in production of various carbonic acid drink, wine, concentrated solid drink, ice cream and other cold foods and drinks. To the best knowledge and understanding of our Directors, the customers of fumaric acid applied fumaric acid as raw materials of other chemicals, such as the mordant for dyes and acidifier etc., for industrial purposes only.

Apart from PA, fumaric acid and other by-products of PA, our Group sold OX (orthoxylene) during the years ended 31 March 2009, 2010 and 2011 when (i) there was request from customers with good business relationship and (ii) our Group had excess OX for our production of PA. OX is a colourless liquid, with a characteristic odour. It is the second largest of the three commercial isomers of xylene extracted through further distillation. Almost all OX output is consumed in the manufacture of PA. For the seven months ended 31 October 2011, there was no request from customers for selling of raw materials, hence 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. For details of the price trend of OX, please refer to the paragraph headed "Raw materials" in this section.

Market price of our products

Our products are derived from OX and therefore both the market prices of PA and fumaric acid have a high correlation with that of OX. The following chart shows our Group's price trends of the sale of PA and fumaric acid and purchase of OX from January 2007 to October 2011:

Source: The Company

As illustrated by the chart above, the prices of our Group's sale of PA and fumaric acid have been fluctuating narrowly from 2007 to the second half of 2008 between RMB9,000 to RMB12,000 per tonnes and substantially decreased in the second half of 2008 following the global economic downturn and picked up again in 2009 and remained stable in 2010 and 2011. Such fluctuation was generally in line with our Group's purchase prices of OX during the Track Record Period.

PRODUCTION PROCESS

We operate on a 24-hour basis with three shifts per day, subject to regular inspection and maintenance work. As at 31 December 2011, we had 74 staff in the production department to support our manufacturing operation.

Production of PA

PA can be produced by catalytic oxidation of OX or naphthalene, where our Group applies the OX production model. Naphthalene, also known as naphthalin, is a crystalline, aromatic white, solid hydrocarbon. It is best known as the traditional, primary ingredient of mothballs. It is volatile, forming an inflammable vapor, and readily sublimes at room temperature, producing a characteristic odor that is detectable at concentrations. The chemical formula of production of PA from naphthalene is set out as follows:

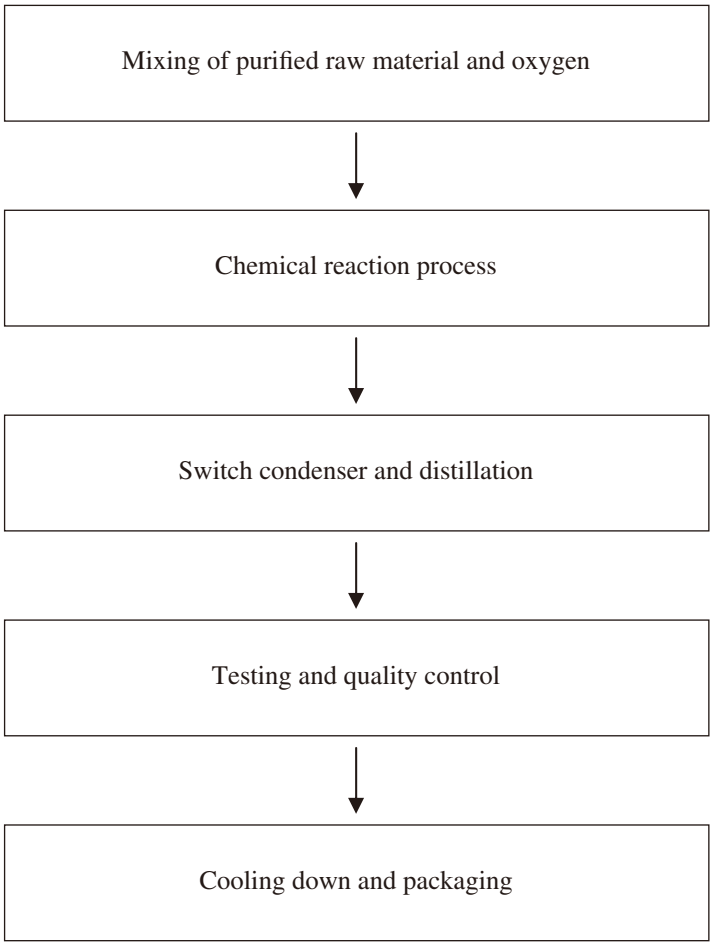
From naphthalene: $C_{10}H_8+4.5O_2 \rightarrow C_6H_4(CO)_2O+2H_2O+2CO_2$

The major drawback of production of PA from naphthalene is the carbon dioxide emission during the production process. Taking into account the environmental protection, our Group adopts OX production model to avoid the release of carbon dioxide. This switch also allows the lowering of the air to orthoxylene weight ratio to 9.5:1, thus permitting a reduction in capital costs and energy savings. Despite the said economic advantage, repeated or prolonged exposure may cause a skin rash. OX reacts violently with strong oxidants and might cause fire and explosion hazard if not handled properly during the production process. In the regard, our Group has implemented guideline on how to handle dangerous chemical for our production staffs. During the Track Record Period and up to the Latest Practicable Date, there were no reports or claims of significant occupational diseases caused by exposure to harmful substances and our Group has not encountered accidents due to leakage of hazardous chemicals which could cause damage to the environment, properties or injury to individuals. The chemical formula of production of PA from OX is set out as follows:

From OX: $C_6H_4(CH_3)_2+3O_2 \rightarrow C_6H_4(CO)_2O+3H_2O$

The production process of PA is quite simple and requires one chemical reaction only. In order to improve the production yield, catalysts are applied. During the chemical reaction, apart from water, certain organic compounds are formed as by-products such as o-xylene in water and MA, etc. One of the by-products, MA, can be used to produce maleic acid, which will be applied as the raw material for production of fumaric acid. The finished products will be purified, washed and cleaned before packaging. Our Directors confirm that it normally takes about five to seven days to complete the production process of PA.

The production of PA involves the following principal steps:



Mixing of purified raw material and oxygen

OX and water are required for the chemical reaction of PA. OX is extracted from the storage tanks and transmitted to the heater and compressor to vaporise OX. The oxygen, extracted from water, is filtered, heated and compressed to an optimal temperature and pressure. The vaporised OX and oxygen are then mixed in the chamber before undertaking the chemical reaction process.

Chemical reaction process

The production department transfers the mixed OX and oxygen to the fixed-bed tubular reactor for oxidation process. In order to ensure the accomplishment of the reaction process and control the quality of the products, the technical division will monitor the whole process in the control room and make any necessary adjustment on the specification and reaction conditions as and when appropriate. Catalysts are applied to improve the production yield of PA. The mixed products are then passed to the switch condenser for separation and purification.

Switch condenser and distillation

The switch condenser comprises a cooling cycle and a heating cycle, which can effectively change the temperature of the mixed products with different boiling points to disperse PA from other by-products. The mixed products then undertake the distillation process to further separate PA from the by-products and purify. The purified PA will be collected at the collection chamber. MA is separately collected and transmitted to the production facility of fumaric acid for further processing. The residuals are collected for recycle use and for sale as by-products.

Testing and quality control

In order to ensure the quality of PA, the laboratory of the production department will perform chemical analysis on samples of PA extracted from the collection chamber at least three times per day to ensure the specification of PA satisfied the quality requirement of our Group. Products that fail to meet the required standard will be recycled and delivered back to the switch condenser for re-processing.

Cooling down and packaging

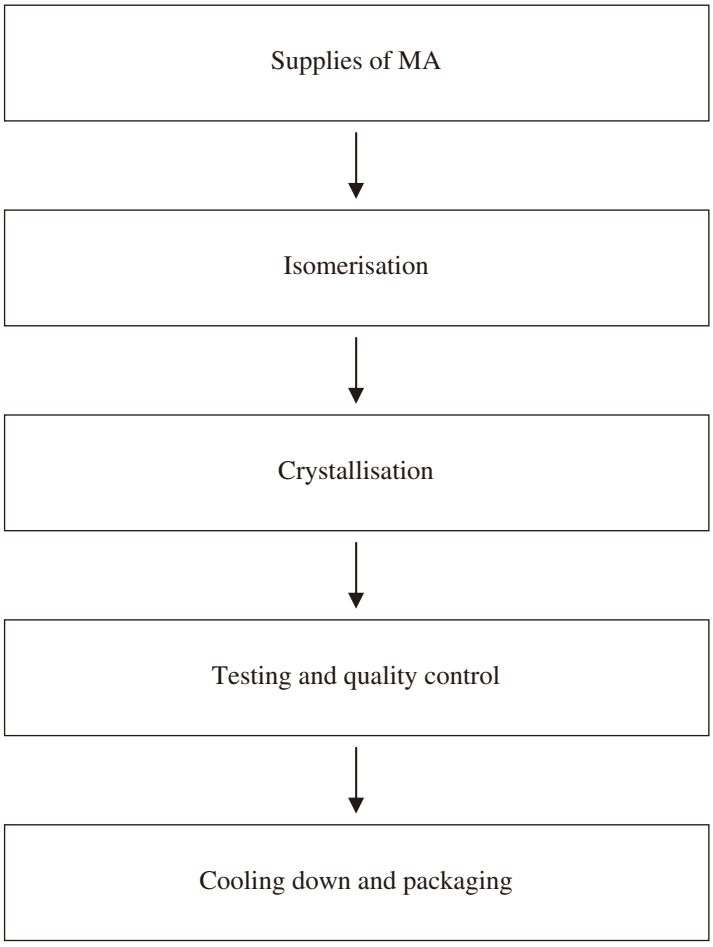
The PA which satisfies the testing inspection and quality control processes are cooled down to solid form and cut into pieces by a cutting machine for packaging. The packaged PA is then transferred to the warehouse pending collection on site by the customers of our Group.

Production of fumaric acid

Commercial use fumaric acid is derived from maleic acid through catalytic isomerisation. MA is the main source of maleic acid and can be obtained from the production of PA. The chemical formula of production of fumaric acid from MA is as follows:

From MA: $C_4H_{10}+3.5O_2 \rightarrow C_4H_2O_3+4H_2O$

The production process of fumaric acid is simple and requires one chemical reaction only. High purity fumaric acid is produced through crystallisation of the aqueous mixture, washing and drying. The production of fumaric acid involves the following principal steps:



Supplies of MA

MA and water are required for the production of fumaric acid. MA is either obtained as a by-product in the production process of PA or from independent suppliers in the PRC. The quality of MA will be inspected before production. The oxygen is extracted from water and mixed with MA. The mixture of materials is heated to a pre-determined temperature.

Isomerisation

The production department transfers the mixed raw materials to the fixed-bed tubular reactor for isomerisation process. The product is then filtered.

Crystallisation

The product is cystallised and centrifuged to separate the fumaric acid. The residuals are collected and transmitted back to the PA production facility for recycle use and for sale.

Testing and quality control

In order to ensure the quality, the laboratory of the production department will perform chemical analysis on samples extracted from the collection chamber to ensure the specification of the finished product satisfied the quality requirement of our Group and the customers.

Cooling down and packaging

Fumaric acid is cooled down and packaged. The packaged fumaric acid is then transferred to the warehouse pending collection on site by the customers of our Group.

Other products

Our Group also sells mixture of other by-products including o-xylene in water and mixture of MA and maleic acid (excluding dangerous and controlled chemicals) and the major raw material to our customers upon demand when there are excess raw materials and such sales are profitable.

PRODUCTION FACILITIES

Our Group's production facilities are located in Haicang District, Xiamen City, Fujian Province, the PRC. The production facilities of PA occupy a total gross floor area of approximately 9,972.48 sq.m.. The lease agreement of a parcel of land on which the production facilities of fumaric acid and two storage tanks are located has not been registered with the relevant authority as our Group has been informed by the relevant land registration department when our Group submitted the registration application that it is not necessary for our Group to do so. As advised by our PRC Legal Adviser, the lease agreement remains binding on the parties concerned and is valid and legally enforceable despite the fact that it has not been registered and our Group's rights to occupy and use the leased land are lawful and remain unaffected. As at the Latest Practicable Date, our Group had not received any rectification or penalty order with respect to non-registration of the lease agreement. The Controlling Shareholders have agreed to indemnify our Group against any costs, expenses, losses and claims that our Group may suffer as a result of the non-compliance with the relevant rules and regulations as disclosed above. Please refer to the paragraph "Estate duty, tax and other indemnity" under the section "Other information" in Appendix V to this prospectus for further details.

The production plant commenced trial production in 2003 and began commercial production in 2006. The production plant was initially built with annual production capacity of 20,000 tonnes of PA. The annual production capacity was subsequently increased to 25,000 tonnes of PA and, with the construction of fumaric acid production facilities to utilise the by-product of PA, 2,500 tonnes of fumaric acid in year 2007. Our annual production capacity further increased to 30,000 tonnes of PA and 3,000 tonnes of fumaric acid in year 2009. The production facilities of fumaric acid were originally situated next to the production facilities of PA. In order to facilitate the expansion plan of production capacities of PA and fumaric acid after Listing, the production facilities of fumaric acid were relocated to the land leased by our Group in March 2011. After the relocation of the production facilities of fumaric acid, our annual production capacity of fumaric acid reached 4,000 tonnes in April 2011. The tables below set out our Group's designed production capacity of PA and fumaric acid and the respective utilisation rate for the three years ended 31 March 2009, 2010 and 2011:

Production capacity of PA and utilisation rate

	Year ended 31 March		
	2009	2010	2011
Designed annual production capacity (tonnes) *(Note 1)*	25,000	30,000	25,000
Actual production (tonnes)	15,300	25,900	19,800
Estimated annual utilisation rate (%) *(Note 2)*	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) *(Note 1)*	2,500	3,000	3,000*(Note3)*
Actual production (tonnes)	1,731	2,829	2,960
Estimated annual utilisation rate (%) *(Note 2)*	69.2	94.3	98.7

Note:

1. *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.*

2. *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.*

3. *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 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.*

As illustrated in the tables above, the utilisation rate of our production capacity for PA and fumaric acid maintained at a level of over 79% and 98% in the year ended 31 March 2011 respectively. The relatively low utilisation rate for the year ended 31 March 2009 was mainly due to the decrease in actual production after the temporarily suspension of production in April 2008 for upgrading the production capacities of PA and fumaric acid to the current level. The decrease in utilisation ratio of PA for the year ended 31 March 2011 was mainly due to the decrease in actual production after the suspension of PA production for approximately 52 days as a result of the regular replacement of catalysts. As it took time for the production facilities to restore the optimal production efficiency subsequent to the upgrade of production capacities in April 2008 and the replacement of catalysts in February 2011, the production volume and utilisation rate of PA for both years ended 31 March 2009 and 2011 were relatively low even the estimated annual production capacities have been already reduced. The time for our Group's production facilities to restore the optimal production efficiency subsequent to a replacement of catalysts was approximately four to six months. Our Directors considered that the time required to restore the optimal production efficiency, to the best of their knowledge and understanding, is in line with the industry norm. For the year ended 31 March 2009, due to the low production volume and utilisation rate of PA, fewer MA was produced which result in fewer fumaric acid produced.

The production yield after replacement of catalyst 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 promptly formulate the replacement schedule during production meeting of our Group to assess the implication of the replacement of 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. The results of the assessment would be discussed with the senior management of our Group during the management meeting headed by the chief executive officer of our Group. 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. In addition, in the event that the expansion of the production facilities and capacity of our Group materialised after Listing, with addition production facilities and capacity, our Group will still be able to continue the production line during the replacement of catalysts and minimise the implication arising from such matter.

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 began to purchase MA, the predominant component for the production of fumaric acid, from independent suppliers since December 2010 in addition to the MA generated during the production process of PA in order to maximise our profit and utilise the production capacity of fumaric acid. In case of the suspension of PA production, the production of fumaric acid is able to continue if MA is available. As a result, by purchasing MA from independent suppliers, the production utilisation rate and actual production of fumaric acid increased even though the production utilisation rate and actual production of PA was decreased. Our Group would first utilise the MA produced from the production of PA for the production of fumaric acid. In the event that the MA produced from the production of PA is insufficient to fulfill the anticipated demand of fumaric acid, our Group would consider to source MA from independent suppliers.

According to the Report on PA Industry Development in the PRC, the total production volume of PA in the PRC in 2010 was approximately 1,010,000 tonnes. Based on the above 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. Whereas according to the Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis, the total production volume of fumaric acid in the PRC in 2009 was approximately 70,100 tonnes. Based on the above 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 following table sets forth the quantities of products sold 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
	tonne	tonne	tonne	tonne (unaudited)	tonne
Sale of PA	16,769	27,095	19,104	12,585	11,662
Sale of fumaric acid	2,810	2,764	3,133	1,239	2,299
Sale of other by-products of PA *(Note)*	80	69	189	95	116
Sale of raw materials	260	567	653	653	–
	19,919	30,495	23,079	14,572	14,077

Note: Other by-products of PA includes o-xylene in water and mixture of MA and maleic acid (excluding dangerous and controlled chemicals).

RAW MATERIALS, UTILITIES AND SUPPLIERS

Raw materials

The major raw material we use for our production of PA and fumaric acid is OX and MA respectively. OX is the second largest of the three commercial isomers of xylene. Almost all OX in the market is consumed in the manufacture of PA. Only small quantities of OX are used in solvent applications, which are declining, and to make bactericides, soya bean herbicides and lube oil additives. Therefore, the demand for PA has a significant influence on the demand for OX.

We source OX from both local suppliers in the PRC as well as from import companies. Some of our major local suppliers are state-owned enterprises principally engaged in the exploration, development, production and sales of crude oil, natural gas and other petroleum related products. OX production in addition to their existing business profile can diversify the spectrum of their market shares and also achieve economies of scale. OX is either delivered to our production facilities by trucks or delivered by ships to the pier near the production facilities, which are then transmitted automatically to the production facilities through a designated underground pipeline linked between the pier and the production facilities. MA is either obtained as a by-product in the production process of PA or sourced from independent suppliers in the PRC. 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. During the Track Record Period, we did not encounter any material shortage of raw materials and we anticipate no material difficulty in procuring raw materials from alternative suppliers as at the Latest Practicable Date.

Since OX is derived from crude oil, the purchase price of which is sensitive to the fluctuation of the international crude oil price. The following chart shows the price trend of our Group's purchase of OX and crude oil from January 2007 to October 2011:

Sources: Bloomberg and the Company

As illustrated in the chart above, our Group's purchase price of OX was fluctuating narrowly from 2007 to the second half of 2008 between RMB8,000 and RMB12,000 per tonnes and substantially decreased in the second half of 2008 following the global economic downturn. The purchase price of OX picked up again in 2009 and increased steadily in 2010 and 2011. Such fluctuation was generally in line with the fluctuation of price of crude oil during the Track Record Period.

The table below sets out the quantity of OX and MA purchased from independent suppliers 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 2011
	tonne	tonne	tonne	tonne
OX	15,586	23,623	18,587	10,826
MA	–	–	7,750	14,040

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 began to purchase MA, the predominant component for the production of fumaric acid, from independent suppliers since December 2010 in addition to the MA generated during the production process of PA in order to maximise our profit and utilise the production capacity of fumaric acid. For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the proportion of our Group's consumed MA that were obtained as a by-product in PA

production process were 100%, 100%, 68.5% and 57.5% respectively. The remaining MA consumed were sourced from independent suppliers in the PRC. For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our Group consumed 9,629 tonnes, 15,755 tonnes, 11,958 tonnes and 7,658 tonnes of MA that were obtained as a by-product in the PA production process respectively and nil, nil, 5,499 tonnes and 5,656 tonnes of MA that were purchased from independent suppliers respectively for the production of fumaric acid. The unutilised MA were kept as inventories of our Group during the Track Record Period. For the year ended 31 March 2011 and the seven months ended 31 October 2011, the average unit purchase cost of MA from independent suppliers were HK$260 and HK$271 per tonne respectively. The reduction in the consumption of MA that were obtained as a by-product in PA production process was mainly due to the reduction in MA obtained in PA production process following the suspension of PA production as a result of the replacement of catalyst during the year ended 31 March 2011 and the subsequent time required to restore optimal production efficiency. 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. The purchases of MA in the year ended 31 March 2011 and the period ended 31 October 2011 by our Group were not arisen as a consequence of unexpected interruptions in the production of PA.

The unit conversion rate of OX into PA, which refers to the proportion of PA produced by our Group in terms of tonnes of PA produced from every tonne of OX consumed, for the years ended 31 March 2009, 2010, 2011 and the seven months ended 31 October 2011 were 109.8%, 109.6%, 109.3% and 109.3% respectively. The unit conversion rate which exceed 100% represents more than one tonne of PA was produced by our Group with each tonne of OX consumed.

The unit conversion rate of MA into fumaric acid, which refers to the proportion of quantity of fumaric acid produced by our Group from every tonne of MA consumed, for the year ended 31 March 2009, 2010, 2011 and the seven months ended 31 October 2011 were approximately 18.0%, 18.0%, 17.0% and 17.5% respectively.

Utilities

Electricity and water are the principal utilities used in our production process. We obtain electricity from the local power grid company and water from the local water supplier. Since the incorporation of NWCI, our Group has not experienced occasions of power shortages caused by power supply limits imposed by the PRC government. During the Track Record Period, we did not encounter any material interruption in our supply of electricity and water.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our Group incurred expenditures on electricity of approximately HK$3,927,000, HK$5,578,000, HK$4,844,000 and HK$2,769,000 respectively. The average unit charge of electricity consumed during the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 is approximately RMB0.55 per kWh, RMB0.56 per kWh, RMB0.59 per kWh and RMB0.59 per kWh respectively. In the opinion of our Directors, the unit charge was considered to be consistent with the market rate.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our Group incurred expenditures on water consumed of approximately HK$415,000, HK$645,000, HK$497,000 and HK$303,000 respectively. The unit charge of water consumed during the Track Record Period was approximately RMB2.90 per tonne. In the opinion of our Directors, the unit charge was considered to be consistent with the market rate. During the Track Record Period, we did not enter into any long term contracts in respect of the utilities used in our production process.

Suppliers

We purchase our raw materials from local suppliers in the PRC and import companies which are capable to import such raw materials from overseas markets. 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 engaged 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. To the best knowledge and understanding of our Directors, the payment terms of our Group granted to customers and allowed by suppliers were in line with the general industry practice. For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the number of suppliers who requested our Group to settle payment in full before their delivery of the raw materials were 93, 89, 94 and 91 respectively and their respective proportion of purchase 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.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the proportion of our purchase of raw materials from import companies were 90.3%, 61.9%, 37.5% and 14.5% respectively. The remaining raw materials were sourced from local suppliers in the PRC.

We choose our suppliers of raw materials mainly based on the price and quality of raw materials offered by different suppliers. We have entered into formal supplier contract with our suppliers prior to each purchase transaction which set out the quantities, prices and specifications of products purchase, delivery arrangement, credit terms and the quality examination procedures at arms' length negotiation between the parties based on normal commercial terms. During the Track Record Period, we have been able to obtain raw materials from our suppliers on terms and quality acceptable to us and we have not experienced any material disruption to the supply of any raw materials required for our production. All our purchases are paid in Renminbi. During the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our average trade payable turnover days were approximately 45 days, 10 days, 8 days and 19 days respectively. For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our five largest suppliers, together, accounted for approximately 90.2%, 91.8%, 97.6% and 85.7%, and our largest supplier accounted for approximately 43.8%, 49.0%, 43.9% and 29.8%, of our total purchases, respectively.

The number of suppliers of our Group which supplied raw materials to our Group during each of the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 were 100, 94, 99 and 100 respectively.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the proportion of our turnover contributed by customers which were also suppliers of our Group were approximately 68.2%, 42.4%, 34.7% and 18.7% respectively; whereas the proportion of our purchase of raw materials contributed by suppliers which were also customers of our Group were approximately 64.0%, 49.0%, 43.9% and 16.0% respectively.

One of the five largest suppliers of our Group (the "**Supplier**") is also one of the five largest customers. The Supplier was previously beneficially owned as to 89.2% by 中國鹽業總公司 (China National Salt Industry Corporation*), a state-owned enterprise and is currently owned by 19 individual shareholders who are Independent Third Parties. The Supplier is principally engaged in

the trading of chemicals including solvents, plasticisers, polyester and OX and does not possess any production facilities for PA. The Supplier is solicited by the senior management of our Group through referrals made by other associates among his business network. After numerous arm's length discussions on the terms of conducting business mutually acceptable to both parties, we engaged in constant contractual arrangement with each other and has maintained business relationship of about four years up to the Latest Practicable Date. Our Group is neither the only supplier of PA nor the only customer of the Supplier's OX during the Track Record Period.

Our Group enters into formal supplier contract of PA for each purchase transactions with the Supplier. Our Group will also enter into formal sales contract of PA for each sales transactions with the Supplier which is the same as standard contract we used for other customers, with principal terms such as quantities and price of our products as set out under the paragraph headed "Customers" in this section. The Supplier needs to collect our products at our warehouse and bear the transportation costs itself. The Supplier is allowed to settle the sales transactions within 30 days after collection of products. For details, please also refer to paragraph headed "Payment terms and products delivery" in this section.

On the other hand, in accordance with the supplier contract of OX we entered into with the Supplier, our Group will need to collect the OX we ordered at the pier near our production facilities. The OX will be delivered to the pier within a month from signing of the contract while we have to pay for the OX ordered via transmission five days in advance before the arrival of the raw materials. The delivery costs of OX are borne by the Supplier.

Notwithstanding our reciprocal supply and demand relationship, the signing of either kind of agreements is not conditional upon the signing of each other. Given that the supplier contract and the sales contract with the Supplier is a standardised contract consistent with the other major suppliers and customers of our Group; (i) the Supplier does not have the priority to purchase the PA produced from the OX supplied by the Supplier; (ii) the Supplier is not obligated to purchase the PA produced by our Group; (iii) our Group can freely sell the PA processed from the OX supplied by the Supplier to other customers; and (iv) the inventory risk of OX supplied by the Supplier is borne by our Group but not the Supplier and our Directors consider that our Group does not engage in sub-contracting or tolling operations for the Supplier.

Considering that the Supplier is principally engaged in the trading sector and it has supplied over 40% of the raw material to our Group for the three years ended 31 March 2011, our Directors consider that the risk of possible competition between our Group and the Supplier should the Supplier decide to cease or reduce the supply of raw material to our Group or develop its own production capabilities of PA is remote. However, in the event that the above-mentioned risk is materialised, given our reliance on the Supplier in the past, our Group will be required to increase procurement from other suppliers and search for other suppliers of OX. As such, our Group may result in the shortage of supply of raw material and lost of a key customer. On one hand, our Group may not be able to produce adequate PA to meet the demand of other customers of our Group and our production utilisation rate will decrease as a result of shortage of supply. On the other hand, the finished goods PA may be in excess supply and our investory level may increase as a result of lost of a key customer. In any cases, our revenue, profitability and financial condition may be adversely affected.

The Supplier accounted for approximately 39.8%, 42.4%, 34.7% and 18.7% of our total turnover, and approximately 43.8%, 49.0%, 43.9% and 16.0% of our total purchases, for the three years ended 31 March 2009, 2010, and 2011 and the seven months ended 31 October 2011, respectively.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, to the best knowledge and belief of our Directors, assuming that our Group was unable to find other customers to take up the sales shortfall if the Supplier develop or employ its own production capabilities to process such materials, our turnover for the year/period would be decreased by approximately HK$69.7 million, HK$98.0 million, HK$70.4 million and HK$28.0 million respectively; based on the weighted average cost of PA and fumaric acid per tonne of our Group during the Track Record Period, the estimated cost of sales for the year/period would be decreased by approximately HK$66.1 million, HK$84.7 million, HK$64.9 million and HK$28.0 million respectively and as such, the profit for the year/period would be decreased by approximately 38.0%, 41.4%, 24.5% and 0.0% respectively.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, to the best knowledge and belief of our Directors, if the Supplier ceases to supply raw materials to our Group, the purchase of OX for the year/period would be decreased by approximately 6,608 tonnes, 11,539 tonnes, 7,703 tonnes and 1,910 tonnes respectively; our turnover for the year/period would be decreased by approximately HK$63.9 million, HK$97.0 million, HK$75.6 million and HK$23.1 million respectively; based on the weighted average cost of PA per tonne of our Group during the Track Record Period, the estimated cost of sales for the year/period would be decreased by approximately HK$64.4 million, HK$88.1 million, HK$69.8 million and HK$22.6 million respectively, the total profit for the year/period would be (increased)/decreased by approximately (6.1)%, 27.9%, 26.5% and 5.0% respectively, provided that our Group is unable to find other suppliers to supply the raw materials shortfall. The above analyses are based on the assumptions that (i) the average unit selling price of PA and the unit conversion rate of OX into PA during the Track Record Period would not be affected; (ii) our profit margin of PA would not be affected; (iii) the sales of fumaric acid, other by-products of PA and raw materials would not be affected; and (iv) the change in quantity of finished goods sold is equal to the quantity of finished goods produced.

Apart from being a supplier and customer of our Group, the Supplier does not have any relationship with our Group, our Shareholders, Directors, senior management and any of their respective associates in the past and as of the Latest Practicable Date.

While it is not uncommon to request advances from and making prepayment to the Supplier for the sale of PA and purchase of OX respectively, our Group believes that it is not industry practice in the strictest sense because the actual extent of the advances and prepayment made would depend on the bargaining power of the respective parties entered into the contracts. The outstanding balances of trade receivables from, trade payables to and receipt in advance from the Supplier as at 31 March 2009, 2010 and 2011 and 31 October 2011 are set out as follows:

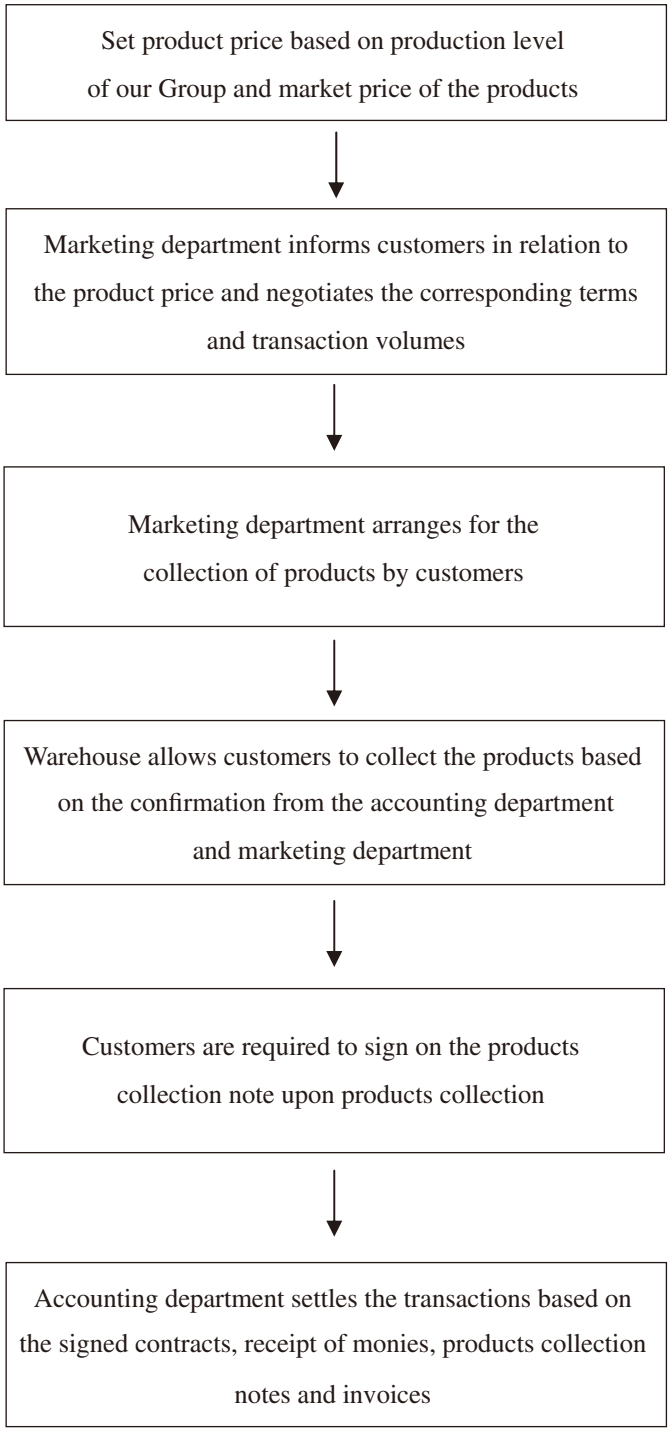
	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 October 2011
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables from the Supplier ...	–	5,943	–	601
Trade payables to the Supplier	8,883	–	–	–
Receipt in advance from the Supplier..	–	–	8,936	–

The outstanding balances have been fully settled as at the Latest Practicable Date. To the best knowledge and understanding of our Directors, given the relatively long-established clientele relationship with our suppliers, where some of which are state-owned enterprises with large production capacity, our Group can easily locate alternate suppliers for the supply of OX at competitive price.

None of our Directors or their associates nor any person who to the knowledge of our Directors owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period.

SALES AND MARKETING

The following diagram illustrates the key procedures in a typical selling process of our Group:



Our sales and marketing team is located in our headquarter in Xiamen, the PRC, and is responsible for coordinating the sales and marketing of our products. As at 31 December 2011, there were 5 staff responsible for such function. Our customers approach our sales and marketing staff to quote the price and place orders of our products. The management of our Group will take into account factors including the prevailing market price and costs structure of our products to determine the selling price of our products. All the sales of our products are made through direct sales to our customers in the PRC and all of our sales are settled in Renminbi.

Customers

Our products are sold under the brand name "世佳化工". In order to maintain workable co-operation, we signed a MoU for a term of one year with some of our major customers which set out the monthly sales target and various general terms such as type and specifications of product, product collection arrangement and the quality examination procedures specification of quality of the sale of our products. The MoU serves to show an intent for the parties to enter into subsequent formal sales contract in accordance with the terms set out therein and it is not legally binding. Under the MoU, it is stipulated that orders should be made before the 25th of each calendar month for next month's product requisition and a formal sales contract should be entered into at the same time. Our Group has the right to adjust the actual quantity for PA to each customer based on our production plan. Furthermore, the customers agreed to collect our products at our warehouse at their own transportation costs. Subsequently, a formal sales contract will be entered into with our customers for each sale transaction, where the principal terms, including the quantity and price, are to be determined in the formal sales contracts between the parties at arms' length negotiation based on normal commercial terms.

Should there be an dispute arising from the quality of the products, the parties should resolve by engaging a qualified chemist to test the quality of the products in questions. The costs of engaging a qualified chemist and the tests involved would be bore by the customers if our products are up to standard and vice versa. To the best knowledge and understanding of our Directors, there were no disputes with our customers, in particular, in relation to the quality of our products during the Track Record Period and up to the Latest Practicable Date. There is no guranteed sales amount in the MoU.

For the years ended 31 March 2009, 2010, 2011 and the seven months ended 31 October 2011, the proportion of our Group's total sales to customers who have signed MoU with our Group were approximately 70.9%, 76.7%, 66.6% and 25.0% respectively. One of our major customers, who had signed MoU with our Group, reduced its consumption of PA due to its business development and sale of PA of our Group to that customer decreased during the seven months ended 31 October 2011. As such, our Group sold more PA to other customers, who did not sign MoU with our Group which resulted in the reduction in the proportion of our Group's total sales to customers who have signed MoU with our Group. To the best knowledge and understanding of our Directors, there were no disputes with such customer which result in the reduction of sale of PA of our Group to that customer during the Track Record Period and up to the Latest Practicable Date. In addition, all trade receivable from such customer as at 31 October 2011 has been settled as at the Latest Practicable Date.

As advised by our PRC Legal Adviser, NWCI has the right not to sign formal sales contract with the customers and such act does not constitute a breach of the MoU and hence would not cause NWCI bearing any liability resulting from contractual breach or other legal liabilities. We believe that our geographical location and our commitment to product quality attribute to our ability to maintain customers' loyalty and the continual business relationships with our customers. The total

numbers of customers of our Group was 47, 47, 42 and 45 during the three years ended 31 March 2009, 2010 and 2011 and during the seven months ended 31 October 2011 respectively, which are principally engaged in, among others, trading and manufacturing of chemical related products. The number of customers of our Group for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 represents those customers who made purchases from our Group during the relevant year/period.

For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our five largest customers, together, accounted for approximately 84.2%, 89.9%, 88.9% and 76.3%, and our largest customer accounted for approximately 39.8%, 42.4%. 40.5% and 31.4% of our total turnover, respectively.

None of our Directors or their associates nor any person who, to the knowledge of our Directors, owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period.

Payment terms and products delivery

During the Track Record Period, some of our customers were required to settle payment in full before their collection of the products of our Group and we sometimes allowed settlement of balance within 30 days after collection of products to our long standing customers with good payment history. Our Group focuses on customers in nearby locations in the PRC, namely Fujian Province, Guangdong Province and Shanghai, and our customers therefore incur relatively lower transportation costs and no import duties for our products as compared to purchasing the same from distance suppliers and global producers. Accordingly, our customers are willing to settle their balance owed to our Group within 30 days after the collection of our products or even pay in full in advance in order to maintain a secured business relationship with our Group notwithstanding that they are not required to pay deposit when signing the sales agreement. As such, our Group only had relatively limited trade receivable during the Track Record Period.

Our Group recognised the sale of chemicals upon the collection of products by customers. Our Group recognised payment prepaid by customers before collection of products as receipt in advance which will be offset against the sale of chemicals upon collection of products by customers. The trade receivable turnover day of our Group was 0.1, 4.7, 16.2 and 27.1 days for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 respectively. The increase in trade receivable turnover days was mainly due to our Group has established better business relationship with customers and allowing settlement of balances within 30 days after collection of products to increasing number of customers.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, there were three, two, three and eight of our customers who were allowed to settle the trade balances within 30 days. Our Group may allow extension of the time required for the settlement of receivables if such extension is approved during the management meeting headed by the chief executive officer of our Group. In order to secure business relationship with certain of our customers and broaden the customer base so as to diversify of customer concentration risk, our Group has allowed certain long standing customers with increased business scale and good payment record during the seven months ended 31 October 2011 to settle trade balances within 30 days. As at the Latest Practicable Date, the average number of years of business relationship our Group has developed with the customers who were allowed to settle trade balances within 30 days were approximately 5 years.

To the best knowledge and understanding of our Directors, the payment terms of our Group granted to customers and allowed by suppliers were in line with the general industry practice. 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. Notwithstanding that the proportion of sales to customers who settled payment in full before collection remained stable during the Track Record Period, the increasing trend of the trade receivables turnover day was mainly due to (i) our Group has established better business relationship with increasing number of customers, in particular, the seven months ended 31 October 2011; (ii) certain long standing customers settled their payments shortly before 31 March 2009 and 2010; and (iii) the increased number of our customers who were allowed to settle the trade balances within 30 days for the year ended 31 March 2011 and seven months ended 31 October 2011 and such customers tend to repay their trade balances close to 30 days after collection of products as allowed. If our customers fail to pick up the products for a period of time after signing the sales contracts, in order to ensure whether the customers have financial difficulties in making payment in accordance with the original credit period allowed so that the customers do not pick up the products, our Group will undergo further negotiation with those customers to reconfirm the payment terms and details of delivery arrangement of our products. During the Track Record Period and up to the Latest Practicable Date, there was no customer fail to pick up products for a period of time after signing sales contracts.

During the Track Record Period, to the best knowledge and understanding of our Directors, the average time between the signing of sales contracts and first collection of products was generally 1 week, the average time between the receipt date of advance payment from customers and the collection date of products by the customers was within 1 week; the average time between the payment date of prepayment to suppliers and the delivery date of the raw materials to our Group was approximately 4 to 6 weeks, depending on different suppliers.

All of our products are collected by our customers directly at our production facilities. We will issue products collection note to our customers after entering into the sales contracts and receipt of the payments. Our customers then confirm to us the registration numbers of their trucks which they will send to collect our products on site at our production facilities at their own costs. The customers are required to sign on the products collection note to acknowledge collection of our products.

Should the customers fail to fulfill the terms of the contract, including but not limited to, failure to (i) pay for the products ordered; or (ii) submit a cashier's order which can be validated within the next ninety days, within six days after signing of the sales agreement, our Group has the rights to terminate the contract, seek specific performance of the remaining terms of the contracts and/or sue for damages against the customers for non-performance of the contract. In the events where machineries malfunctions and deficiencies in the supply of other raw materials causing the deduction of production capacity of the customers' production plants and hence cancellation of the PA ordered from our Group, the customers may be relieved from breach of contract if they inform our Group in a timely manner, subject to our Group's discretion and final decision. Since there is no definite time frame stipulated for the required notice period, our Group will consider required actions on a case-by-case basis. In any event, the customers must inform our Group before the date of collection of products. During the Track Record Period, our Group did not record any cancellation of PA orders from customers and breach of contract for sale of PA to customers.

Pricing policy

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, among others, industry websites such as China Phthalic Anhydride Guild (*http://www.cpg.org.cn/*) and other public sources, setting out prices of products for different suppliers and in different geographical region. The market prices of our products are determined with reference to the market demand and supply and the prices of raw materials. The management of our Group will determine the selling price and terms of the sales contracts through negotiation with our customers to arrive at a price and terms acceptable to both parties based on the market price of products and taking into consideration the quality of products produced and our cost structure.

QUALITY CONTROL

Our Directors believe that the provision of consistent and satisfactory quality of products is one of the key factors attributable to the success of our Group. We have adopted a strict quality control system covering our production processes to closely monitor the quality of our production and to ensure that our products meet our customers' specifications and requirements. In October 2008, we obtained ISO9001:2000 quality system certification for the manufacture and sale of PA from SIRA Certification Service, an independent certification body operating internationally.

ISO 9001 is a set of standards and guidelines relating to quality management systems, which represents an international consensus on good quality management practices. ISO 9001 is maintained by International Organisation for Standardisation, and is administered by accreditation and certification bodies. Our certification to ISO 9001 standard indicates that consistent business process is being applied, which serves to provide an objective standard against which third parties can assess the quality of our management and production process. The above certificate is valid until October 2011 subject to our Group's quality control system being maintained to the required standards to be monitored by the certifying institution. Our production plant has been inspected by the auditors of Sira Certification Service and the renewal of the ISO 9001:2000 was successful. Sira Certification Service re-issued the ISO 9001:2008 certificate (as revised and amended from ISO 9001:2000) to us on 5 August 2011 and it is valid until October 2014. Our Directors believe that our Group has maintained the same, if not higher, quality control standard since it first obtained the ISO9001:2000 quality system certification. Therefore, our Directors are of the view that our Group will be able to renew its ISO9001:2008 quality system certification for production and sale of PA in future. In the unlikely event that the failure to renew the same occurs, our production capacity will not be hindered but there may be a slight impact on our Group's goodwill and the pricing of our Group's products.

The procurement division of our Group purchases raw materials from qualified and reputable suppliers. Upon arrival of the raw materials, the production department conducts inspection and testing on a sampling basis to ensure the quality of the raw materials meets our required quality. If the raw materials supplied to our Group do not meet our requirements and standards, they will be returned to our suppliers. Our Group did not record any rejection and return of raw material due to quality issues during the Track Record Period and up to the Latest Practicable Date.

Our Group has installed a centralised control system to monitor the specifications of the production process. The production staff examines the specifications of production process through the monitors, which show information including temperature and pressure to control the quality of the finished products and to ensure system safety. The quality control department also performs sampling test on semi-finished products to achieve stable products quality and to avoid sub-standard products being sold to customers.

All of the finished products are tested on a sampling basis. If any of the finished products fail the testing, the quality control department will report to the relevant departments and our management promptly.

Our Group did not record any sales return due to quality defects during the Track Record Period and we also had not received any complaints from our customers regarding the quality of our products.

Considering that the NWCI did not engage in the production and sale of food and beverages products, and our products are not food and beverage products and inedible industrial products, as advised by our PRC Legal Adviser, our Group is not subject to any food safety laws, regulations and standards in the PRC.

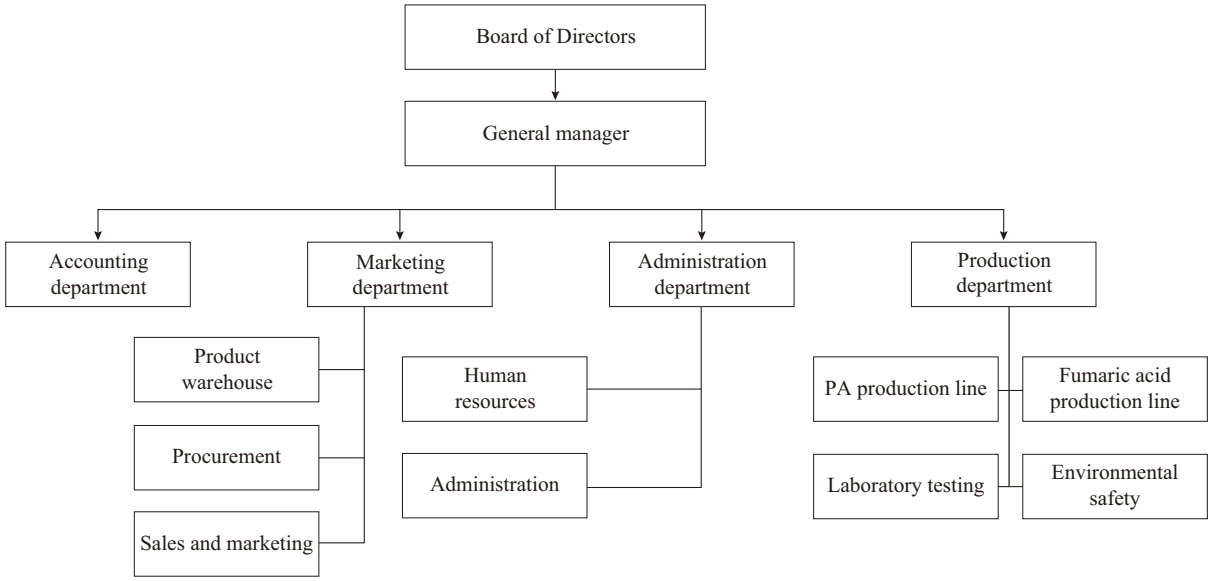
INVENTORY MANAGEMENT

Given the stable demand for our products, we normally purchase raw materials periodically. We monitor and control our inventory levels of raw materials and finished products to optimise our efficiency and cost effectiveness of our operations. We require close coordination among our marketing department, production department, procurement and warehousing teams.

We closely supervise our daily production and maintain suitable inventory levels of raw materials and finished products. We carry out physical stock counts to monitor our inventories, including inventory level and age of inventory. Regular spot checking and an overall stock count is carried out to identify damaged or obsolete inventory on an annual basis. It is our policy to make allowance for inventory valuation and obsolescence losses if damaged or obsolete inventory is identified.

During the Track Record Period, we had not identified any material level of damages or obsolete inventory.

ORGANISATION STRUCTURE OF NWCI



Administration department

The administration department is primarily responsible for providing administrative support, human resources, and office management to our Group. As at 31 December 2011, there were 7 staff in this department.

Accounting department

The accounting department supports our Group in the perspective of book keeping, performing financial analysis, controlling budget, arranging corporate finance and executing investment decisions. As at 31 December 2011, there were 3 staff in this department.

Marketing department

The marketing department supports our Group in the perspective of sales and marketing, procurement of materials and inventory control. As at 31 December 2011, there were 5 staff in this department.

Production department

The production department supports our Group in the perspective of production management and quality control. As at 31 December 2011, there were 74 staff in this department.

COMPLIANCE

In order to operate our Group's business in the PRC, our Group is required to obtain (i) 安全生產許可證 (Work Safety License*); (ii) 危險化學品生產單位登記證 (Dangerous Chemicals Manufacturer Registration*); and (iii) 排放污染物許可證 (Waste Discharge Permit*). Since the incorporation of NWCI, there has been no occasion where the relevant authorities refuse to renew the registrations and/or licences of our Group upon expiry. As shown in the confirmation letter issued by 廈門市環境保護局海滄分局 (Xiamen Municipal Environmental Protection Bureau Haicang Branch*), NWCI has been permitted to discharge wastes and has complied with the relevant

prescribed standards on the discharge of wastes during the Track Record Period. NWCI did not received any enquiry from the Xiamen Municipal Government or any relevant government department regarding any complaints against our Group in relation to environmental protection. Our Group has adopted and maintained relevant licensing requirement necessary to obtain (i) 安全生產許可證 (Work Safety License*); (ii) 危險化學品生產單位登記證 (Dangerous Chemicals Manufacturer Registration*); and (iii) 排放污染物許可證 (Waste Discharge Permit*) and our Group has obtained such license/registration during the Track Record Period and as at the Latest Practicable Date. Details of the expiry dates and renewal procedures of the aforesaid licence/registration are set out as follows:

Required permits/registrations	Validity period	Renewal procedure	Licensing requirement
安全生產許可證 (Work Safety License*)	From 9 March 2012 to 8 March 2015	(i) Submit an application to the local administration of work safety three months before the expiry date. (ii) The local administration of work safety process the application in 45 business days. (iii) For successful application, the local administration of work safety in 10 business days; whereas for unsuccessful application, the local administration of work safety issue written notice in 10 business days.	(i) Establish and fulfill comprehensive safety production system, safety regulations and operating procedures; (ii) Establish management team and maintain personnel responsible for production safety; (iii) Responsible personnel, production safety officer and relevant operating officer of the production are experienced and properly trained; (iv) Employees are properly insured in accordance with relevant rules; (v) Factories, workplaces, safety facilities and equipment meet the relevant rules and regulations; (vi) Maintain occupational hazards prevention and control measure and necessary emergency rescue equipment; (vii) Evaluate the safety precaution in accordance to relevant rules and regulations; and (viii) Maintain major hazard detection, assessment, control measures and contingency plans.

Required permits/registrations	Validity period	Renewal procedure	Licensing requirement
危險化學品生產單位登記證 (Dangerous Chemicals Manufacturer Registration*)	From 11 September 2010 to 10 September 2013	(i) Submit an application to the Office of Fujian Province Dangerous Chemicals Registration three months before the expire date.	(i) Maintain hazardous chemicals record and establish hazardous chemicals management files; (ii) Truthfully fill in the registration materials of the hazardous chemicals; (iii) Identify, classify and assess the risk of unknown dangerous chemicals and new chemicals; (iv) Prepare and provide user with the manual on chemical safety and attach the chemical safety label on the product package; (v) Ensure the data in relation to the chemical product to be accurate and reliable, and responsible for the authenticity of data; (vi) Provide necessary technical guidance and assistance in relation to any accident and emergency to the user of the chemical products; and (vii) Cooperate with the relevant authorities on hazardous chemicals registration audits, if necessary.
排放污染物許可證 (Waste Discharge Permit*)	From 31 March 2009 to 31 March 2012 *(Note)*	(i) Submit an application to the relevant regulatory authorities in accordance with the requirement three months before the expiry date. (ii) The relevant regulatory authorities perform audit on wastage discharge and control of our Group. (iii) The relevant regulatory authorities process the application in 20 business days.	(i) Permit holder must only discharge pollutants according to the quantity allowed under the permits. (ii) Permitted quantity of discharged waste water of 12,000 tonnes per year or 40 tonnes per day.

Note: *Our Group is in the process of renewing relevant license and permit and expects to obtain the license and permit in March 2012.*

As advised by our PRC Legal Adviser, our Group is in compliance with all applicable PRC laws and regulations and obtained the requisite approvals, permits and licenses necessary to conduct its business during the Track Record Period and up to the Latest Practicable Date in all material aspects.

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. There were no material changes in the average prices and gross profit margin of our Group during the seven months ended 31 October 2011 and from 1 November 2011 up to 31 December 2011. The overall average expenses of our Group had remained stable during the period from 1 November 2011 to 31 December 2011 and were comparable to the seven months ended 31 October 2011. 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.

Our Directors are however mindful that the deterioration of the credit market and possible slowdown of the overall economy of the PRC may eventually affect the financial performance of our Group if it materialises. Based on the aforesaid, our Directors expect the positive and negative impacts on the business of our Group to balance out and do not expect any adverse change to our Group's business over the near term.

Our Group's financial performance for the year ending 31 March 2012 will be affected by a number of factors including but not limited to (i) the average prices of the products of our Group; (ii) the gross profit margin of the products of our Group; (iii) the effect of the time required for our Group's production facilities to restore the optimal production efficiency subsequent to the replacement of catalysts required for production; and (iv) the expenses incurred in relation to the Listing, the nature of which is non-recurrent.

We determine the prices of our products with reference to the market demand and supply of our products and the prices of raw materials, whereas the gross profit margin was mainly affected by the market prices of PA, fumaric acid and OX and the sales mix of PA and fumaric acid. The prices of OX, PA and fumaric acid are subject to fluctuations due to various factors beyond our Group's control, such as global economic situation, price of crude oil and the supply and demand in the PRC and overseas markets. 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 price 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" in this prospectus.

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

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.

As such, our Group's profit and net margin for the year ending 31 March 2012 could be materially and adversely affected as a result of the outcome of the above factors.

INSURANCE

We maintain insurance policies which cover our machinery and equipment. However, we do not have insurance on third party liabilities or product liabilities with respect to the products sold by us. Our Directors consider that our Group's insurance coverage is in line with the industry norm. We believe that the product liability risk is mitigated by the quality control procedures adopted by our Group. There was no instances of product recall during the Track Record Period and up to the Latest Practicable Date. The total insurance premium paid by our Group for each of the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 amounted to approximately HK$93,000, HK$102,000, HK$101,000 and nil respectively. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material claims from third parties in relation to the quality of our products.

Our Directors believe that the coverage is adequate for our Group's operation. As at the Latest Practicable Date, we had not been subject to any insurance claims which are material to us.

Social insurance is provided for our employees including insurance for retirement, unemployment, sickness, maternity and injury as required by the PRC social security regulations. Based on the confirmation issued by 廈門市海滄區人力資源和社會保障局 (Xiamen City Haicang District Human Resources and Social Security Bureau*) on 2 August 2011, our PRC Legal Adviser confirmed that NWCI has complied with the PRC labour laws and regulations in respect of the social insurance during the Track Record Period.

INTELLECTUAL PROPERTY RIGHTS

As our Group does not manufacture original designed-end consumption products, our Group does not have any patents registered in relation to our products or production process. Our Directors are of the view that, albeit the ordinary chemistry textbook has the basic formula showing the composition of PA in theory, in practice our Group's production process is complex which involves various production steps, such as mixing of purified raw materials and oxygen, chemical reaction with the catalysts for PA and isomerisation and crystallisation for fumaric acid. The production processes are conducted under a contained environment, where raw materials are filtered, heated and compressed under optimal temperature and pressure. Our Group has collected relevant production data and gained experience in terms of optimal production specifications over years of operations, such as concentration, temperature and pressure and selection of catalysts in various production

steps, which are not publicly available information. As such, our Group's production process are not easily copied by any other parties given that the market entrance barrier is high in terms of initial set up cost for perfecting the theoretical formula for production in practice. However, to protect the company name of our Group from misuse by third parties, our Group has registered one trademark in the PRC and registered two trademarks in Hong Kong. In addition, our Group has registered the domain of www.judaintl.com. Particulars of the above registration are set out under the paragraph headed "Intellectual property" in Appendix V to this prospectus.

During the Track Record Period, our Group was not aware of any violation of any third party intellectual property rights and any infringement of our intellectual property rights by any third parties.

PROPERTIES

As at the Latest Practicable Date, NWCI owned a parcel of land for the production of PA, with a total site area of approximately 20,198.2 sq.m., located at Haicang District, Xiamen, Fujian Province, the PRC (the "**Land**"), on which our buildings with a total gross floor area of approximately 9,972.48 sq.m. including production facilities for PA and offices were erected. Our PRC Legal Adviser confirmed that, as at the Latest Practicable Date, we had obtained all necessary land use right certificates and building ownership certificates for our properties.

We also leased a parcel of land, with a total site area of approximately 12,700 sq.m., situated adjacent to the Land, on which the production facility of fumaric acid and two storage tanks are located. The term of the lease is 20 years. Under the relevant PRC rules and regulations, the lease agreement shall be registered with the relevant authority within 30 days after the lease agreement is entered into. However, such lease agreement has not been registered as our Group has been informed by the relevant land registration department when our Group submitted the registration application that it is not necessary for our Group to do so. As advised by our PRC Legal Adviser, the lease agreement remains binding on the parties concerned and is valid and legally enforceable despite the fact that it has not been registered and our Group's rights to occupy and use the leased land are lawful and remain unaffected.

In the event that our Group is required to vacate from the leased land, the existing structures on the leased land will be moved to the Land and our Directors estimate that it would cost approximately RMB34,000 based on estimated labour costs and contract costs from service provider in relocating the existing storage tanks and structure of the production facilities of fumaric acid on the leased land. Our Group will lose the revenue generated from sale of fumaric acid during the relocation period of the production facilities of the fumaric acid of approximately HK$2,114,000, of which the relocation is estimated to take approximately one month, assuming that the sale amount of fumaric acid for the year of vacating the leased land is same as the sale amount of fumaric acid for the year ended 31 March 2011, and the sale amount is distributed evenly throughout the year. Having considered (i) historical costs from relocating the production facilities of fumaric acid; (ii) existing cost of labour of our Group; and (iii) limited structures currently located on the leased land, the Sponsor considered that the estimated cost is reasonable.

As at the Latest Practicable Date, our Group had not received any rectification or penalty order with respect to non-registration of the lease agreement. As a remedial action, our Controlling Shareholders have agreed to indemnify our Group against any costs, expenses, losses and claims that our Group may suffer as a result of the non-registration of the lease agreement as disclosed above. Please refer to the paragraph "Estate duty, tax and other indemnity" under the section "Other information" in Appendix V to this prospectus for further details.

We leased a property in Hong Kong as our office and principal place of business in Hong Kong. Details of our property interests are set out in Appendix III to this prospectus.

The independent valuer had valued the property interests of our Group as at 31 December 2011. The text of the letter, summary of values and the valuation certificate issued by the independent valuer are set out in Appendix III to this prospectus.

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

Since the major raw material of our products, OX, is a by-product of crude oil, the improper use, disposal and/or the storage may cause pollution to the environment and, to a certain extent, is toxic and harmful to human beings. Our production process also requires large volume of water for heating and cooling procedures and would produce certain chemical waste in the waste water.

To ensure compliance with statutory standards, our Group has obtained a 排放污染物許可證 (Waste Discharge Permit*) and registered the handling of, among others, toxic waste generated from the production processes. Our Group has been accredited as 節水型企業 (Water Preservation Enterprise*) by 廈門市建設與管理局廈門市計畫用水節約用水辦公室 (the Water Preservation Office of Xiamen City and Xiamen City Construction and Administration Bureau*) in May 2009. Our Group has also been awarded as 平安企業達標單位 (Enterprise that meets Safety Target*) by 廈門市海滄區社會治安綜合治理委員會 (Xiamen City Haicang District Social Security Management Committee*) and 廈門市海滄區安全生產委員會 (Xiamen City Haicang District Safe Production Committee*). Our Group has adopted the following specific measures to ensure that our operations comply with environmental laws and regulations in the PRC:

(i) implementing internal control system on environmental protection for all employees to follow, in particular, in the production process. As set out in the internal control system manual of NWCI, the waste water, industrial oils and organic solvents should be properly treated for recycling use and no direct disposal into stream or sewage is permitted. In particular, our production plant has installed several ditches for collecting waste water, industrial oils and organic solvents. Clean water such as rainwater will not be put to further processing because our production plant has implemented rain water and sewage drainage diversion, allowing for the waste water to be diverted to the septic tanks for preliminary processing before further discharge to the municipal sewage for final purification. We are governed by 廈門市水污染物排放控制標準 (DB35-322-1999) 二級標準 (Second grade standard for control over Xiamen waste water discharge*) regarding the recycling process whereby cooling and purification is needed. The then polluted water would be then ready for use after the recycling process is completed. The poisonous chemicals will need to be placed in a designated storage and discharged by independent external cleansing companies from time to time. In regard to the occupational noise emitted by the machineries during the production process, NWCI has implemented noise control by implementing soundproofing and vibration isolation to the extent possible inside the production premises;

(ii) organising training programmes in relation to environmental protection;

(iii) checking compliance on environmental protection and safety measures periodically; and

(iv) emergency plan in case when leakage of toxic or industrial hazards happens. In the unlikely event of any of the catastrophe relating to operation of the production plant happens, the production manager should report to the person-in-charge of the plant immediately for any immediate actions such as reporting to municipal government authorities and seeking their assistance in confining the problem to be taken in order to minimise any potential implications from the leakage. In addition, our Group would also report to the relevant municipal government authorities for immediate rescue or action.

According to 排放污染物許可證 (Waste Discharge Permit*) obtained by NWCI, the permitted quantity of discharged wastes or pollutants for the year ended 31 December 2008, 2009 and 2010 are as follows:

Name of wastes or pollutants	Permitted quantity of discharged wastes or pollutants	Actual level of wastes or pollutants discharged For the year ended 31 December		
		2008	2009	2010
Waste water	12,000 tonnes per year; or 40 tonnes per day	6,403 tonnes per year; or 17.54 tonnes per day	8,106 tonnes per year; or 22.21 tonnes per day	8,326 tonnes per year, or 22.81 tonnes per day
Chemical oxygen demand ..	1.794 tonnes per year, 5.98 kg per day	0.511 tonnes per year, or 1.40 kg per day	0.631 tonnes per year, or 1.72 kg per day	0.125 per year, or 0.342 kg per day
Ammonia	0.233 tonnes per year, or 0.78 kg per day	0.003 tonnes per day, or 0.008 kg per day	0.006 tonnes per year, or 0.016 kg per day	Minimal
Petroleum related pollutants	0.102 tonnes per year, 0.34 kg per day	0.004 tonnes per year, or 0.011 kg per day	0.004 tonnes per year, or 0.011 kg per day	0.005 tonnes per year, or 0.014 kg per day
Non-methane hydrocarbons	16.48 tonnes per year, 64.2 kg per day	4.253 tonnes per year, or 11.653 kg per day	7.069 tonnes per year, or 19.366 kg per day	2.666 tonnes per year, or 7.304 kg per day

Our Group has also implemented safety measures on the handling of toxic and dangerous chemicals, including:

(i) implementing internal control system on occupational safety for all employees to follow, in particular, in the production process;

(ii) the requirement for our staffs to perform a safety check per shift and perform a comprehensive check once per quarter;

(iii) organising training programmes in relation to occupational safety; and

(iv) the implementation of contingency plans.

During the Track Record Period and up to the Latest Practicable Date, there were no reports or claims of significant occupational diseases caused by exposure to harmful substances and our Group has not encountered accidents due to any leakage of hazardous chemicals which could cause damage to the environment, properties or injury to individuals. During the Track Record Period, the costs of compliance with the applicable laws and regulations on environmental protection was

approximately HK$265,000, HK$295,000, HK$341,000 and HK$314,000 for the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011. We expect our cost of compliance on environmental protection to be proportionate to our production capacity going forward.

During the Track Record Period, we had not breached any environmental protection laws and regulations in the PRC and were not subject to any material claim or penalty in relation to environmental protection. Based on the confirmation issued by 廈門市環境保護局海滄分局 (Xiamen City Environmental Protection Bureau Haicang Branch*) in August 2011 and December 2011, our PRC Legal Adviser confirmed that we had no material violations of environmental regulations in the PRC during the Track Record Period. Our Directors confirm that we have been in compliance with all applicable environmental protection laws and regulations in the PRC during the Track Record Period.

In May 2011, 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"). During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge and belief, none of our customers have engaged in the production of food and beverage products using the PA and fumaric acid we supplied them with and thus the DEHP incident in Taiwan had no material effect on our Group's results. Although PA and fumaric acid can be used for both industrial purposes and in food production, we understand that our customers did not purchase our products for the production of food products and we targeted customers that would use our products for industrial purposes only. We affix clear warning sign onto the outer packing of our final products stating and stressing that these are dangerous chemicals to be handled with caution. Since we have no control over the usage of our products by our customers, there are nonetheless possibilities that our customers may misuse our products in food and beverages and thus we may expose to claims. As confirmed by our PRC legal adviser, as our Group has affixed clear warning sign on the packing materials, we will not be subject to any liability if our products are used by the customers in food and beverage products that cause damages to consumers.

COMPETITION

We operate in a segmental market with unbalanced local production and consumption. As described in the section headed "Industry overview" in this prospectus, the local production and consumption volume of PA in the PRC amounted to approximately 1,010,000 tonnes and 1,150,000 tonnes respectively in 2010. Certain of the demand for PA in the PRC has been satisfied by import since 2000.

The principal factors of competition in our industry include the followings:

(i) availability and quality of the products;

(ii) selling price;

(iii) the quality of the manufacturing process;

(iv) the production capacity;

(v) the location of the production facilities;

(vi) cost of supplies and cost of production; and

(vii) transportation cost.

Our Directors consider that our principal competitors are global and local producers of PA and fumaric acid with single or multiple production plants which may have substantially greater financial, manufacturing and human resources as well as greater name recognition and broader market coverage than we do.

Save for one of the five largest suppliers of our Group who is also one of the five largest customers, to the best knowledge and understanding of our Directors, no other recurring suppliers of our Group or their respective associates were also customers of our Group during the Track Record Period. Considering that the said supplier principally engaged in the trading of chemicals including OX and does not possess any production facilities for PA, and our Group is not aware of any potential plan that our Group's major suppliers/customers will vertically expand their businesses and become our competitors in the futures, our Directors consider the extent of potential competition from our Group's major existing suppliers/customers are limited. In the unlikely event that some of our customers or suppliers may also expand their business vertically to produce PA and/or fumaric acid and become our competitors in the future, which may cause them to reduce or cease their purchases from us or their supply to us, as the case may be.

We are capable to supply PA and fumaric acid to locations close to Fujian Province including Guangdong Province and Shanghai, the PRC. Our Directors believe that transportation cost consideration imposes significant barriers for other global and local producers of PA and/or fumaric acid with limited financial resources to overcome the transportation costs for distanced suppliers and/or import duties for global producers, as the case maybe, which are located far away from Fujian Province, the PRC, to compete with us.

Our Directors consider that there are certain other barriers for the new entrants in this industry in view of the need of extensive technical know-how and experienced technical and production employees and substantial capital expenditures for the production facilities. In order to operate our Group's business in the PRC, our Group is required to obtain (i) 安全生產許可證 (Work Safety License*); (ii) 危險化學品生產單位登記證 (Dangerous Chemicals Manufacturer Registration*); and (iii) 排放污染物許可證 (Waste Discharge Permit*). As such, our competitors would be required to fulfill the requirements and renewal procedures of the licenses, registrations and permits. Any failure in obtaining or renewing the licenses, registration and/or permits would result in penalties as set out in the section headed "Regulatory framework" in this prospectus. The details of the requirements and renewal procedures of the licenses, registrations and permits required by our Group are set out in the paragraph headed "Compliance" in this section. Based on the aforesaid, our Directors consider that the requirement of the (i) 安全生產許可證 (Work Safety License*); (ii) 危險化學品生產單位登記證 (Dangerous Chemicals Manufacturer Registration*); and (iii) 排放污染物許可證 (Waste Discharge Permit*) granted by the government is another key barrier for the new entrants.

DETAILS OF COMPETING INTERESTS OF OUR DIRECTORS AND CONTROLLING SHAREHOLDERS

Each of our Directors and the Controlling Shareholders has confirmed that he/she/it and his/her/its associates does not have any interests in a business apart from our Group's business which competes or is likely to compete with our Group upon Listing and after Listing.

Pursuant to the service agreement (the "**Director's Service Agreement**") entered into between our Group and each of the executive Directors, each executive Director has undertaken to our Company that he will not (whether as a shareholders, director, employee, partner, agent, or otherwise, but excluding the holding by the executive Director of not exceeding 5% of the shares or warranties in any company the shares of which are listed on a recognised stock exchange) either alone or in conjunction with any other person directly or indirectly carry on or be engaged in any business or activity which competes or is likely to compete with the business of any member of our Group in the territories where any member of our Group carries on its business as long as he continues to be a Director and 12 months after resignation or termination of his Director's Service Agreement.

LITIGATION

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was involved in or has been involved in any legal or arbitration proceedings of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group.