You should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Group before making any investment decision in relation to the Offer Shares. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and that most of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from what might prevail in other countries. The occurrence of any of the following risks could have a material adverse effect on the business, results of operations, financial condition and future prospects of our Group. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm us in the future. The trading prices of our Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorised into (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to conducting operations in China and (iv) risks relating to the Global Offering and our Share performance.

RISKS RELATING TO OUR BUSINESS

Our results may fluctuate due to revaluation gains or losses on our forest assets.

Valuation gains or losses on our forest assets can dramatically impact the results of our operations because a significant component of our profit for the year consists of changes in fair value of such assets. Under IAS 41, we are required to reassess the fair value of our forest assets less costs to sell at each balance sheet date. In the three financial years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, we recognised unrealised gains of approximately RMB350.5 million, RMB798.5 million, RMB6,024.4 million and RMB518.9 million respectively. We incurred such significant unrealised gains because we have acquired new forests at relatively low acquisition costs during such period.

The fair value of our forest assets is derived from many assumptions. We engaged CFK, an independent forestry asset valuer, to assess the fair value. As there was no active market for forests, CFK used a net present value approach based on the projected net cash flows expected to be derived from our forest assets in the future, and a number of other key assumptions. These key assumptions include, among other things, the discount rate, market prices for each grade of logs produced, production costs, yield volume, natural tree growth, and the harvesting rate at our forests. Slight changes in these assumptions may result in a large increase or decrease in fair value. For further information, please see "Financial Information — Critical Accounting Policies — fair value of plantation assets less costs to sell."

No independent verification has been carried out on the Group's forest stock volume figures extracted from the forest valuation reports issued by CFK. Further, CFK estimated the volume per hectare from the survey of the Chinese government, which was carried out every five years with the latest survey carried out nationally between 1999 and 2003. The key assumptions on physical factors such as yield estimates used in valuing the plantation assets may also vary from time to time when more updated information is collected by the Group. All these factors would impact on the fair value of our forest assets and result in fluctuations of our results due to revaluation gains or losses.

Therefore, our results of operations from period to period may vary due to revaluation gains or losses required to be calculated as at each balance sheet date under IAS 41, reflecting fluctuations in prevailing market conditions. We cannot assure you that the fair value of our forest assets less costs to sell will not decrease in the future. Any such decrease in the fair value of our forest assets less costs to sell may have an adverse effect on our results of operations.

The unrealized gains arising from changes in fair value of plantation assets less costs to sell for the year ended 31 December 2008 comprises (a) an unrealized gain of approximately RMB6,635 million arising upon initial acquisition of plantation assets in Yunnan Luxi and Yunnan Wenshan, and (b) an unrealized loss of approximately RMB611 million during the year, primarily due to a revision in yield estimate and drop in log prices in the second half of 2008. Further details of such revision are set out in "Financial Information — Critical Accounting Policies — A. Fair value of plantation assets less costs to sell".

Investors should be aware that profits of the Group are subject to changes in fair value arising from any subsequent revision in estimated forest data upon availability of more updated information and there is no assurance that such revision in estimated forest data will not have any material adverse impact on the Group's profits.

In addition, as a significant portion of our profit is the amounts recorded as unrealised gains, investors should be aware that a profit shown on our financial statement may not generate positive cash flow from operations, unless such forest assets are disposed of at such revalued amounts.

Our forest survey and knowledge of our forests are subject to errors of survey.

Our operating results depend on our knowledge of forests. We regularly visit our forests to monitor their growth and condition. In this process, we use a random sampling method for our survey of forests. We cannot guarantee the reliability of the results of our survey. In the event that the results of our survey are not reliable, our knowledge of our forests and our ability to manage our forests could be greatly hampered, which may have a material adverse effect on our business, financial condition and results of operations.

Our customers were primarily located, and all of our log sales came from our forests, in Sichuan and Yunnan, areas which have been and may be affected by earthquakes.

During the Track Record Period, all of our forests (save for the 6 hectares of forest in Anhui which we disposed of in April 2008) and most of our customers, were in Sichuan and Yunnan. For the year ended 31 December 2008 and the six months ended 30 June 2009, approximately 29.5% and 18.6% of our turnover of the corresponding periods came from our sale of logs harvested in Sichuan, and approximately 70.5% and 81.4% of our turnover of the respective periods came from our sale of logs harvested in Yunnan. Sichuan and Yunnan have been affected by earthquakes recently.

On 12 May 2008, an earthquake of magnitude 8.0 on the Richter scale hit Sichuan, killing tens of thousands of people and causing severe physical damage to roads, buildings and infrastructure. Our Sichuan forests are located in Ya An City, Le Shan City and Liang Shan Zhou, which are located approximately 183, 189.5 and 377.7 kilometres respectively, from the epicentre of this Sichuan Earthquake. We have visited our Sichuan forests since the Sichuan

Earthquake and determined that it has caused no apparent damage to our forests and the roads surrounding our forests. Based on interviews with our customers and our employees in Sichuan, we have determined that other than a few days' work stoppage immediately after 12 May 2008, the earthquake had no material impact on their operations or daily activities and that business has resumed to normal. Immediately after the Sichuan Earthquake, we, out of prudent safety concerns, had voluntarily ceased logging for 4 days from 12 May 2008, and have since resumed normal logging activities. Some of our customers' payments in May 2008 had been delayed due to the Sichuan Earthquake, but all such payments had been fully settled by June 2008. Accordingly, our Directors are of the view that the impact of the Sichuan Earthquake to our assets, operations and financial positions is minimal.

On 9 July 2009, an earthquake of magnitude 6.0 on the Richter scale hit Yunnan with its epicentre located in Yao An County. Our forests in Yunnan are located in De Hong Zhou, Lin Cang City and Wen Shan Zhou which are approximately 312, 211 and 437 kilometres respectively, from the epicentre of this earthquake. We have visited our Yunnan forests after this earthquake and determined that it has caused no apparent damage to our forests and the roads surrounding our forests. We were also advised by our Yunnan customers that they were not materially affected by the Yunnan Earthquake. Accordingly, our Directors are of the view that the impact of the Yunnan Earthquake to our assets, operations and financial positions is minimal. Our independent valuer CFK has also visited selected areas of our Yunnan forests in August 2009 after such earthquake and did not observe any evidence of earthquake damage.

An earthquake could cause not only deaths and injuries and damages to roads, houses and buildings, but also environmental disasters such as landslides and floods, which in turn could result in more injuries and more extensive and serious damages to properties. There is no assurance that future earthquakes or consequences from natural or man-made disasters (such as government emergency measures, flooding or population relocations) will not have any material adverse effect on our business, financial condition and results of operations.

We have a limited operating history and a limited track record.

Our involvement in the forestry industry only began in 2003, the same year when the Chinese government announced the No. 9 Policy which set out the directive for the private sector to participate in China's forestry development. Since then, we acquired forests and sold timber to customers in primarily one province, Sichuan. We only began acquiring forests and operating in Yunnan in the first half of 2008. Our experience and operations in the PRC forestry industry are thus relatively limited. Additionally, we have a limited operating history as a separate group. Prior to the Reorganisation, all of our operations were conducted by Beijing Zhaolin, our predecessor entity. There is no assurance that our Group will successfully continue the business of Beijing Zhaolin under its current structure. The historical financial statements included in this prospectus may not necessarily reflect our results of operations, financial position, and cash flows in the future.

We have only recently expanded into Yunnan and we may not be able to meet the demands arising from our rapid expansion.

During the two years ended 31 December 2006 and 2007, our forests (save for a 6-hectare forest in Anhui) and our logging and sales activities were located and conducted in Sichuan. We acquired our Yunnan forests in 2008 and we only began harvesting operations in Yunnan in May 2008. For the year ended 31 December 2008 and the six months ended 30 June 2009, approximately 70.5% and 81.4% respectively, of our turnover for the corresponding periods was generated in Yunnan. While our new Yunnan forests are the majority of our assets, we have limited history of operating in Yunnan. There is no assurance that we will operate successfully in Yunnan.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, our forest area amounted to approximately 4,603 hectares, 12,453 hectares, 171,780 hectares and 171,780 hectares respectively, which represented a CAGR of approximately 510.9% between 2006 and 2008. In March 2008 and July 2008, we acquired approximately 59,333 hectares and 100,000 hectares of forest in Yunnan, respectively. As our forest reserve expands rapidly, our operational systems will need to be improved and more professionals will need to be hired to meet the additional needs of our expanded operations. There is no assurance that our future operating systems and professional team can meet the demands of our operations. In the event that our operating systems and professional team fail to meet the demands of our operations, the profitability and results of our operations may be materially and adversely affected.

We have significant capital commitments, capital expenditures and investments planned for 2010.

We refer to the paragraph headed "Use of Proceeds" under the section headed "Future plans and use of proceeds" of this prospectus. Immediately after the Listing and taking into account the estimated amount of and intended use of the net proceeds from the Global Offering, we expect to continue acquiring forests. For this purpose, we may raise capital through loans, equity, or a combination thereof. As at 31 December 2006, 2007 and 2008 and 30 June 2009, our cash and cash equivalents was RMB24,987,607, RMB1,028,859, RMB104,530,763 and RMB381,977,066, respectively. Our current estimate of planned capital expenditures and investments for the financial year ending 31 December 2010 is approximately RMB650 million, which is primarily to be used for settling the consideration for the acquisition of new forests, including the Yunnan Wenshan Forest we acquired in July 2008 (and which did not generate any revenue pursuant to the harvesting and sales of logs from this forest but contributed to the Group's profit through the fair value gain at the time of acquisition of the Yunnan Wenshan Forest and the relevant fair value changes over the Track Record Period after the acquisition of the Yunnan Wenshan Forest). As at 30 September 2009, being the latest practicable date for determining our indebtedness, we had no debt. However, depending on the availability of credit facilities, we may take on debt and our debt-to-equity ratio would increase. In the event that we raise capital through the issuance of equity, subject to the regulatory requirements that we may not issue new Shares in the six months following the Listing Date, and the consent from the Joint Global Coordinators as to any issue of new Shares in the twelve months following the Listing Date, investors who subscribe for Shares in the Global Offering may be diluted on a non-pro-rata basis.

We may face increased costs for new forest acquisitions.

For the 2006, 2007 and 2008 financial years, our new forest acquisition cost per hectare (excluding land use rights) was RMB10,853, RMB11,913 and RMB4,487, respectively, and our total new forest acquisition cost (excluding land use rights) was RMB29.1 million, RMB93.5 million and RMB714.9 million, respectively. We did not make any forest acquisition in the first half of 2009. As the number of entrants into the private forestry sector increases due to the privatisation of the PRC forestry sector, we expect greater competition for acquiring forests, which may drive up acquisition prices. In addition, as the private forestry sector develops, sellers may become increasingly sophisticated about the valuation and prices of their forests and may demand higher premiums for high quality forests. There is no assurance that we will be able to negotiate favourably low prices for our new forest acquisitions. Rising acquisition costs and intensifying competition for new forests may hamper our expansion plans and have an adverse impact on the profitability and results of our operations.

Our revenues are sensitive to log price fluctuations in the forestry industry.

Historically, prices for logs have been volatile and are affected by numerous factors that we cannot control, including demand for wood and wood products, supply from illegal logging, changes in currency exchange rates, economic growth rates, foreign and domestic interest rates, trade policies, and prevailing fuel and transportation costs.

In addition, industry-wide increases in the supply of logs during a favourable price period can also lead to downward pressure on prices through oversupply. Increased production by us and our competitors could lead to oversupply and lower prices. Oversupply and lower prices may also result from illegal logging activity or decreased government enforcement of logging restrictions. If market prices for logs were to decline, it could have a material adverse effect on our business, financial condition and results of operation.

Our revenues and profits are extremely sensitive to changes in log prices. Our logs are sold at a price including VAT (and for the avoidance of doubt, the turnover recorded in the Accountant's Report set out in Appendix I to this prospectus is exclusive of VAT), and our average selling price (including VAT) of Chinese fir logs for the 2006, 2007 and 2008 financial years and the six months ended 30 June 2009 were approximately RMB957, RMB982, RMB990 and RMB976 per cubic metre, respectively. The decrease of approximately 1.4% for the six months period ended 30 June 2009, as compared to that for the financial year ended 31 December 2008, was primarily due to the change of the market price and market demand in the PRC and the impact of the global financial crisis which commenced in September 2008.

Our average log prices (excluding VAT) of Chinese fir in RMB by cubic metres of wood at roadside sales for the 2006, 2007 and 2008 financial years and the six months ended 30 June 2009 were RMB920, RMB944, RMB887 and RMB853, respectively. The decrease for the six months period ended 30 June 2009 in our average log prices (excluding VAT) is due to the increase of our applicable VAT from 4% to 13% since April 2008. In periods prior to April 2008, we enjoyed a 4% VAT rate when our logs were sold in the name of Beijing Zhaolin, our predecessor entity. However, as from April 2008 when our logs were sold in the name of Kunming Ultra Big, our PRC subsidiary, we have been subject to a 13% VAT rate which is applicable to non-small forestry enterprises which turnover have reached a certain level. Our PRC legal advisers have advised that Kunming Ultra Big should be subject to a 13% VAT rate. However, Kunming Ultra Big has been advised by the local tax authority that it is only required to pay the VAT at 6% before 1 January 2009 and at 3% from 1 January 2009 and therefore it has been paying at such rates since 1 April 2008, the date when it commenced selling logs in its own name. Our PRC legal advisers have advised that the tax authorities having jurisdiction over Kunming Ultra Big may, despite the aforementioned verbal advice given by the local tax authority, determine that the reduced VAT rate we have been paying is invalid and require us to pay back taxes owed to the applicable tax authorities based on a VAT rate of 13% within a prescribed period of time. Our Directors consider that we should make a provision for the difference between 13% and the VAT rate we actually paid or charged our customers, in our accounts for prudence's sake, and accordingly such provision has been included in our financial statements for the year ended 31 December 2008 and the six months ended 30 June 2009.

The average price for Chinese fir and Yunnan pine dropped during the six months ended 30 June 2009, as a result of fall in demand for such logs after the global financial crisis which commenced in the third quarter of 2008. The average price for Chinese fir and Yunnan pine during the third quarter of 2009 remained stable.

The average prices for Beech and Birch have been increasing in 2009 due to a shift towards logs of larger diameter, which command a higher average selling price.

For detailed movements in the Group's log prices (excluding VAT) since the global financial crisis in September 2008, please refer to "Financial Information — Factors Affecting Results of Operations — (1) Market demand and supply conditions for logs".

Changes in log prices can result in significant fluctuations in gain/(loss) from changes in fair value of plantation assets less costs to sell. For example, for the year ended 31 December 2008, a 5% decrease or increase in the average log price applied to our Sichuan forests, the Yunnan Luxi/Shuangjiang Forest and the Yunnan Wenshan Forest, would result in (i) a 77%, 8% and 13% decrease or increase, respectively, in our gain/(loss) from changes in fair value of plantation assets less costs to sell; and (ii) a 1%, 6% and 4% decrease or increase, respectively, in our net profit. Thus, slight changes in log prices may cause a disproportionally large change in our revenues and our results of operation.

Our forests are subject to PRC environmental regulations.

Our operations in China are subject to a wide range of PRC environmental laws and regulations, which regulate, among other things, forestry activities, including harvesting, land clearing for forests, planting in forest areas and the emission or discharge of pollutants or wastes into the soil, water or atmosphere.

Our PRC legal advisers have advised that we are required to conduct an environmental impact assessment according to the PRC Environmental Protection Law, the PRC Environmental Impact Assessment Law and the relevant regulations. However, during the Track Record Period, we had not conducted any formal environmental impact assessment for our forests. Our PRC legal advisers have advised that in such circumstances, the environmental bureau may order us to conduct an environmental impact assessment within a prescribed period, and if we fail to do so, it may impose a fine of not less than RMB50,000 and up to RMB200,000. The local environmental bureaus have not advised whether they would take any actions against us for the non-performance of the environmental impact assessment. Should they take any actions against us in connection with this, our reputation, operation and profitability may be adversely and materially affected.

Environmental laws and regulations have generally become more stringent in recent years and could become even more stringent in the future. We may be required to obtain certain licenses before we are permitted to occupy certain premises and/or carry out certain activities. They also protect endangered or threatened wildlife species which may live in our forests. Some of these environmental laws and regulations could impose significant costs, expenses, penalties and liabilities on us for violations of existing conditions attached to our licenses, whether or not we caused or knew about them. Violations of such laws and regulations may result in civil penalties (such as fines and recovery of costs), remediation expenses, potential injunctions and prohibition orders and criminal penalties. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to the person's negligence or fault.

Compliance with, or damages or penalties for violating, current and future environmental laws and regulations could result in reduction in harvesting volume and may force us to incur significant expenses, which in turn could have a material adverse effect on our business, financial condition and results of operations. Other than initial due diligence of any environmental problems prior to acquiring new forests, we have never engaged any environmental experts to investigate our forests for environmental problems and issue any environmental reports, nor do we formally assess the impact of our operations on the environment. Moreover, due to the large area of our forests in Sichuan and Yunnan, we do not currently have the resources to maintain surveillance of our forests for third party activities, and we may thus be vulnerable to environmental problems created by third parties. We also do not have sufficient resources to assess quickly the impact of natural disasters on our forests. Our strategy for reducing environmental risks is to practice selective logging so as to minimise the impact on the environment.

Any tightening of the requirements prescribed by environmental laws and regulations in China, or changes in the manner of interpretation or enforcement of such existing laws or regulations, could adversely impact our operations by increasing our compliance costs and potential liabilities in connection with such laws and regulations, including additional capital or operating expenditures, which may place additional demands on our liquidity and adversely affect our results of operations.

We depend on certain major customers.

For each of the three financial years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our five largest customers accounted for approximately 93.9%, 85.3%, 44.8% and 56.2% of our total turnover respectively; whilst our largest customer accounted for approximately 47.1%, 22.7%, 9.7% and 12.8% of our total turnover respectively. All of our five largest customers during the Track Record Period are Independent Third Parties. If all or any of these major customers cease to place orders with us, our business and financial performance may be adversely affected.

During each of the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, we had a total of 10, 16, 19 and 17 customers respectively, which had purchased and received our logs during these respective periods. Based on our experience, we believe that our customer demand will increase, but the number of customers may decrease due to consolidation in the wood processing and paper industry. Our business and financial performance may be vulnerable to the sudden loss of a few customers as a result of such consolidation.

We may face increased operating costs and staff costs.

Our business may face increased operating costs as the forestry industry continues to develop in the PRC. Our operating expenses for logging activities consist of our costs of harvesting, such as labour costs, and costs associated with applying for logging permits, namely, the Forest Maintenance Fees. We expect labour costs to rise as villagers who harvest our logs become more experienced and increase their wage demands. Further, as we further expand our forests in Yunnan, our use of professional harvesting teams (which are generally more expensive than local villagers we use for our Sichuan forests) would increase and our operating costs would therefore be expected to further increase accordingly. Our cost of harvesting has experienced a steady upward trend during the Track Record Period from RMB153 per m^3 for the 2006 financial year to RMB245 per m^3 for the six months ended 30 June 2009. Forest Maintenance Fees are subject to periodic revisions by the local forest bureaus and the SFA and we expect them to increase as the industry develops. Our staff costs are also impacted by the new PRC Labour Contract Law which took effect as of 1 January 2008. The law establishes minimum wage, safety and educational requirements, all of which are expected to increase our staff costs as well as our regulatory compliance costs commencing in 2008. Increases in our operating expenses for logging activities and staff costs may have a material adverse effect on our business, financial condition and results of operations.

We recorded net current liabilities during the Track Record Period.

As at 30 June 2009, we had net current assets of approximately RMB1.0 million. As at 31 December 2006 and 2007, we also had net current assets of approximately RMB28.7 million and RMB20.4 million respectively. However, as at 31 December 2008, we had net current liabilities of approximately RMB169.4 million which related primarily to outstanding amounts payable for forest acquisitions which had, subsequently, been settled in part. There can be no assurance that we will not revert to a net current liabilities position again depending on the pace of our acquisitions of forests and how we fund such acquisitions. Any difficulties in funding net current liabilities could materially and adversely affect our forest acquisitions, operations and financial condition.

Our inability to obtain logging permits with sufficient logging amount could reduce our future revenues.

China imposes strict controls over harvesting in forests. A logging permit setting out, among other things, the quota (in terms of maximum area and/or number of trees) allowable for logging and the period of logging must be obtained from the local forestry bureaus for harvesting. Local forestry bureaus cannot issue logging permits in excess of the provincial annual logging quota set by the State Council.

We have been advised by the local forestry bureaus in Sichuan and Yunnan that our maximum logging amount each year is 10% of the total forest stock volume of all our forests. Since our forest stock volume will change over time, they have not confirmed any absolute figure of our annual maximum logging amount. For the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the maximum logging amount permitted under the logging permits granted to us (whether or not they have been fully utilised) were 77,034 m^3, 169,329 m^3, 519,928 m^3 and 356,730 m^3 respectively, and our actual logging amounts were 75,909 m^3, 169,329 m^3, 519,928 m^3 and 356,730 m^3 respectively.

Because the availability of logging permits is subject to the approval of the relevant local forestry bureau, there is no assurance that we will be able to continue obtaining logging permits, or that the logging amount given to us under the logging permits will be sufficient for our operations. Should we fail to obtain logging permits with logging amount sufficient for our operations, our revenues in the future may be reduced and our business, financial condition and results of operations may be materially and adversely affected.

Changes in tax laws and regulations could increase our operating costs.

Our business is categorised as a business encouraged by the PRC government. Under the Implementation Regulations of PRC EIT Law, the cultivation of forest trees and the gathering of forest products are exempt from enterprise income tax in China. Pursuant to a tax notice, Cai Shui [2001] No. 171, we were not liable for income tax in the PRC during the Track Record Period because our income was derived from the forestry business. However, there can be no assurance that the government will continue to offer such tax incentives to our business going forward should their policies change.

Currently, forest products such as our logs benefit from a preferential 13% VAT rate which is applicable to non-small forestry enterprises which turnover have reached a certain level, compared to the standard rate of 17%. During the Track Record Period, Beijing Zhaolin, our predecessor entity, enjoyed a 4% VAT rate. The VAT rate of 4% enjoyed by Beijing Zhaolin was prescribed by the corresponding local tax authorities and evidenced by the written tax statement issued by the local tax authorities dated 14 January 2008 and 15 January 2008. The validity of this tax treatment has been confirmed by the local tax bureau as part of the dissolution procedures of Beijing Zhaolin, which was dissolved and deregistered on 4 September 2008. Kunming Ultra Big has been verbally advised by the local tax authority that it is only required to pay the VAT at 6% before 1 January 2009 and at 3% from 1 January 2009 and therefore it has been paying at such rates since 1 April 2008, the date when it commenced selling logs in its own name. A written confirmation issued by the local tax authorities dated 3 July 2009 confirmed that the VAT rate of Kunming Ultra Big from 1 January 2009 is 3%. However, as our PRC legal advisers have advised that Kunming Ultra Big should be subject to a 13% VAT rate, there is a risk that the tax authority may levy a 13% VAT rate on Kunming Ultra Big and require Kunming Ultra Big to compensate the taxes in arrears. Our PRC legal advisers have advised that the tax authorities having jurisdiction over Kunming Ultra Big may, despite the aforementioned confirmation from the local tax authority, determine that the reduced VAT rate we have been paying is invalid and require us to pay back taxes owed to the applicable tax authorities based on a VAT rate of 13% within a prescribed period of time. Our Directors consider that we should make a provision for the difference between 13% and the VAT rate we actually paid, in our accounts for prudence's sake, and accordingly such provision has been included in our financial statements for the year ended 31 December 2008 and the six months ended 30 June 2009.

Aside from the PRC, the Group also has entities in Hong Kong, the British Virgin Islands and the Cayman Islands. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these two jurisdictions. No provision for Hong Kong profits tax has been made, as the Group did not have an assessable profits subject to Hong Kong profits tax during the Track Record Period.

If the tax regimes in the PRC, Hong Kong, the British Virgin Islands and Cayman Islands change, our tax liabilities may increase significantly, and our business, financial condition and results of operations may be materially and adversely affected.

Our revenues are solely dependent on the PRC market.

We have historically focused on a few large customers in the same province as our forests and have not distributed our logs nationally. China is currently our sole market for our products and we have not exported our products to overseas markets. There can be no assurance that local or domestic demand for our products will continue, or that we can successfully expand to markets in other provinces, or even overseas markets, should local or domestic demand decrease. In the event that local or domestic demand for our logs decreases and we cannot expand our business to other markets, our business, financial condition and results of operations may be materially and adversely affected.

Our inability to acquire enough immediately harvestable forests may affect our ability to meet demand.

As at 30 June 2009, our forests covered a gross area of approximately 171,780 hectares. Over 90% of our forests are around 18-60 years old and immediately harvestable, and approximately 10% of our forests is below 18 years old. As it takes years for our newly replanted trees to become mature for harvesting, we rely on acquisitions of new forests to increase our tree supply, particularly new forests which have sufficiently mature trees and are immediately harvestable. However, according to SFA's statistics, the supply of mature trees in the PRC is limited. See "Industry Overview — Forest Resources in China — Distribution of Forests — Age-class structure of China's forest resources". There can be no assurance that we will be able to acquire sufficient immediately harvestable forests in the future to keep up with demand. If we cannot do so, our business, financial condition and results of operation may be materially adversely affected.

Our sales are subject to the continued growth of the construction, furniture and paper industries in China.

A significant proportion of our logs are processed by wood processing factories and ultimately used for construction. If China's construction industry slows down, especially in the key regions or cities in which our main end users are located, the demand for our logs may decrease, thereby having a material adverse effect on our revenues. A smaller proportion of our customers buy our logs for furniture and paper manufacturing. We are similarly exposed to any declines in those industries.

The current global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and results of operations.

The global capital and credit markets have been experiencing extreme volatility and disruption in recent times. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the US mortgage market and a declining residential real estate market in the US and elsewhere have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events have led to a slowdown in the Chinese economy which a number of economists predict could be significant and protracted. As a result, the demand for our products may significantly decrease, thereby materially and adversely affecting our business, financial condition and results of operations.

Our insurance coverage may not adequately protect us against certain risks.

There may be disruptions to the operations of, or damages or other occurrences to, our existing forests that result from fire, pests, disease, floods, earthquakes, typhoons, wind, hail, snow, drought, landslides or other natural or man-made disasters, environmental pollution, theft of logs, labour stoppages or disturbances, civil unrest and acts of terrorism. Our assets could be affected by these and other catastrophic events over which we have no control.

It is our policy to maintain insurance coverage for all of our forests. For the 2006, 2007 and 2008 financial years and the six months ended 30 June 2009, the insurance premiums we paid amounted to approximately RMB3.0 million, RMB13.3 million, RMB15.9 million and RMB6.0 million, respectively. Each of our insurance policies has a term ranging from one year to four years and, subject to certain conditions, is renewable upon expiration. We purchase insurance coverage for every new forest once we complete its acquisition. However, there is a time gap between completion of our acquisition and the issuance of an insurance policy in respect of a newly acquired forest as the insurance company needs time to assess our newly acquired forest and the related risks. Any damage suffered by us before our purchase or renewal of insurance for any of our forests or before such insurance becoming effective, or in excess of our limited insurance coverage amounts, or in respect of uninsured events, may materially and adversely impact our results of operations.

Some of the above-mentioned risks may cause personal injuries, consequential loss of profits or environmental damage. These may result in disruption of operations and the imposition of civil or criminal penalties upon us, which may not be covered by our insurance policies. Our insurance policy does not generally cover damage to our forests from disease, environmental pollution, and certain natural or man-made disasters (for example, torrential rain, typhoon, war, strike and terrorist activities).

Given the nature of our operations and business, there can be no assurance that our insurance coverage is sufficient to cover all losses relating to our properties and assets. If our insurance is insufficient to cover such losses, our business, financial condition and results of operations may be adversely affected.

Our predecessor company's name has been misused by others.

There have been reports published on websites that Beijing Zhaolin, our predecessor company, was engaged in the trading of forestry rights ("Improper Activity") in Sichuan. We have never engaged in the Improper Activity or consented to the use of Beijing Zhaolin or its name for the Improper Activity. During the Track Record Period, Beijing Zhaolin was the owner of its forestry rights and had never held any of its forestry rights on behalf of any person. We came to be aware that an Independent Third Party ("Misuser"), who had previously proposed to establish some kind of business cooperation with Beijing Zhaolin around early 2006 (which had been subsequently refused by Beijing Zhaolin), had purported to offer such trading on behalf of Beijing Zhaolin in May 2006. The Misuser represented to others that she was engaged in trading of forestry rights on behalf of Beijing Zhaolin. This came to our attention about a week after we believe the Misuser commenced this Improper Activity and we, thereafter, immediately contacted the Misuser. She advised us that she had not yet carried out any actual trading of forestry rights since she started to make such representation to others and assured us she would discontinue the Improper Activity immediately. After receiving such assurances, we continue to monitor the matter and have neither come to be aware of continued Improper Activity nor had we been approached in this regard. We have also requested the relevant website operators to remove the inaccurate reports from their websites in July 2008 and published a clarification statement in the Chinese national newspapers on 9 July 2008.

Since the Improper Activity was terminated within about a week from the time we believe it commenced and the Misuser verbally confirmed that she had not carried out any actual trading of forestry rights during such period and had not received any benefit in respect of the Improper Activity, we considered that the risk of us being sued was low, and any further protection that we might receive by reporting the Improper Activity to the relevant government or seeking indemnity/compensation for any possible losses that could arise from such Improper Activity, was minimal, and hence, decided not to take any further action.

After investigation, it was found that the Misuser was associated with Zhengzhou Branch Office of Beijing Zhaolin as its person-in-charge, the entity alleged to be conducting the Improper Activities in the reports ("Unauthorised Branch"). Our PRC legal advisers have advised that it is the directors or shareholders of Beijing Zhaolin who have the power to approve the establishment of a branch office. In respect of the application for establishment of a branch office which must be submitted to the local administration and management bureau of industry and commerce in order to establish a branch office, under the relevant PRC laws and regulations, the legal representative is the only person who has the power to sign the application on behalf of a company.

Mr. Li Kwok Cheong, the legal representative of Beijing Zhaolin, has confirmed that (a) he has never represented Beijing Zhaolin to sign or approve the establishment of Zhengzhou branch office or any other branch offices of Beijing Zhaolin; (b) he has never authorised the Misuser or any other person to sign or approve the establishment of Zhengzhou branch office or any other branch offices of Beijing Zhaolin; (c) Beijing Zhaolin has never participated or entrusted any other person to participate in the Improper Activity; and (d) he has never indicated or consented to, or authorised, or otherwise in any form, appointed the Misuser as the agent of himself or Beijing Zhaolin. No evidence has been found that might indicate that Mr. Li Kwok Cheong's involvement in the establishment of the Unauthorised Branch. Furthermore, based on the internet search of records at the website of the Zhengzhou administration and management bureau of industry and commerce, the business licence of the Unauthorised Branch was revoked in February 2008.

Our PRC legal advisers have advised that, based on the confirmation of Mr. Li Kwok Cheong as mentioned above, unless the other parties to the Improper Activity have valid grounds to believe that the Misuser was acting as the agent of Beijing Zhaolin or the Group in respect of the Improper Activity, neither our Group nor Beijing Zhaolin shall be liable for any contract concluded or activities conducted by the Misuser purportedly in the name of Beijing Zhaolin in respect of the Improper Activity.

As at the Latest Practicable Date, our Group or Beijing Zhaolin has not received any notice of claim or litigation nor was it aware of any pending or threatened claims or litigation against our Group or Beijing Zhaolin in respect of the Improper Activity. As our reputation is important for our business and we do not know whether any evidence will be produced to suggest that the other parties to the Improper Activity have valid reasons to believe that the Misuser was acting as the agent of Beijing Zhaolin or the Group in respect of the Improper Activity, should our name be misused by others again or we receive any claims related to the Improper Activity, our profits and operation results may be materially and adversely affected.

We have never engaged any environmental consultants to perform soil sampling or to prepare environmental reports of our forests.

It is not part of our practice to hire environmental consultants to prepare environmental reports or take soil samples of our existing forests or of forests that we intend to acquire. Neither do we perform these functions ourselves. Thus, we may not be aware of the existence of environmental pollution or hazardous substances that may be underground or otherwise dormant in our forests, or in the surrounding areas bordering our forests which may impact our forests. Such pollution may not be easily and visibly ascertained by the periodic inspection of our forest workers. As it may be years before dormant environmental problems are uncovered, there is no assurance that our forests may not be adversely affected by such problems should they arise. Such problems may affect the condition of our trees, impact our harvest and revenues, and increase our operating expenses as we may be forced to take costly remedial measures.

We generally do not enter into sales contracts of more than one year with our customers.

Each year, we enter into a master timber sales agreement with each of our long-term customers, setting forth the annual sales volume of timber for the next year, the volume of timber for each delivery, and in some cases, the base price. The base price may be subsequently reviewed and if necessary, adjusted upon each customer order to reflect the then-prevailing market price. Due to factors such as fluctuations in price, supply and demand in the forestry industry as well as our customers' need for flexibility in volume, species and price terms, we generally do not enter into sales contracts of more than one year with customers. There is no assurance that we will maintain or increase our sales to these customers or other large customers at current levels or at all. Any loss of a significant portion of our current sales to our major customers, and our inability to find other customers to replace them, could have a material adverse effect on our business, financial condition and results of operations.

We are heavily dependent on key personnel and consultants.

We are heavily dependent on our executive officers and management for the success of our operations. Our ability to negotiate successfully with the forest owners for our forest rights, and to acquire high quality forests, depends on the skills, relationships, and reputation of our senior management, particularly our chairman, Mr. Li Kwok Cheong and our executive Director, Mr. Li Han Chun.

Mr. Li Kwok Cheong is our executive Director and chairman. He is also the co-founder of our Group and a director of our following subsidiaries: Profit Wise, Sky Famous, Rich Fame, Ultra Big, Fine Fit, China Zhaoneng, Kunming Ultra Big and Chengdu Yishang. Mr. Li Kwok Cheong is mainly responsible for the Group's strategic development and oversees the Group's operations and investments. He is a council member of the CCPEF and had also been a council member of Capital Enterprises Club in China. Mr. Li Han Chun is our executive Director. Mr. Li Han Chun joined our Group in 2004 and is a director of our following subsidiaries: Profit Wise, Sky Famous, Rich Fame, Ultra Big, China Zhaoneng, Fine Fit, Kunming Ultra Big and Chengdu Yishang. He is also the chief executive officer of our Group responsible for the management of our Group's daily operations. Mr. Li Han Chun is a council member of the CCPEF, and was the co-founder and managing director of Creative Energy Solutions Holdings Limited, which was once listed and now delisted on the Growth Enterprise

Market of Hong Kong Stock Exchange. Mr. Li Han Chun had also served as the marketing manager of Tianjin district at China P&G Company Limited.

We also rely on the expertise and advice of our consultants. Mr. Meng Fan Zhi and Mr. Ma Lu Yi currently act as our forestry consultants, and each of them entered into a consultancy agreement with us in April 2008. Mr. Meng, since 2001, has continually served as the secretary of the CCPEF and has 8 years' experience in forestry industry. As an evidence of his expertise in the industry, Mr. Meng has written books related to forestry in the PRC, namely China Ecological Conservation Theory and the World (中國生態環保理論與世界) published in 2006 and Guide on China Forest Parks and Natural Conservation Districts (中國森林公園與自然保護區覽勝) published in 2008. Mr. Ma is an expert in forestry and the deputy dean of the Graduate school of Beijing Forestry University, and has 17 years' experience in academic research in the management of environment, forestry, and water resources.

Under the consultancy agreements of Mr. Meng and Mr. Ma, they agreed to provide us consulting services in relation to the potential acquisition of forests and the compliance of forestry laws, for a term commencing on 7 April 2008 and ending on April 2011, unless earlier terminated by the consultants due to our unauthorised disclosure of the documents or information owned or provided by them to any third party without their prior consent. As evidence of the consultants' motivation to promote China's forestry industry, according to the consultancy agreements, Mr. Meng and Mr. Ma are not entitled to receive any fees. We do, in practice, reimburse them for expenses reasonably incurred in attending meetings and, where necessary, on-site consultation. The agreements do not obligate our consultants to achieve our profit targets. Other than the membership fee we paid to the CCPEF for being its member, the CCPEF and Beijing Forestry University have not received any fee from us. The consulting services provided by Mr. Meng and Mr. Ma will help us to better understand the PRC forestry industry and assess our position in the forestry industry and our business plans.

If we lose the services of any of our key personnel and/or if we cannot attract or retain quality consultants to advise us, we may lose our competitive advantage and our business could be adversely affected.

We are dependent on the availability of large numbers of workers to perform manual labour.

We rely on large numbers of workers to harvest logs and perform manual labour. As many of our forests are located in remote areas far from population centres, there is a risk that manpower for harvesting logs and for maintaining our forests will not be available on a continuous basis due to factors such as rural-urban migration. We are also vulnerable to labour shortages due to strikes, labour stoppages and civil unrest. Any shortage of labour could increase our costs and reduce our production, which may have a material adverse effect on our business, financial condition and results of operations.

Abnormally high or prolonged levels of rain or snow at our forest locations may adversely impact our ability to harvest trees.

Our harvesting activity is dependent on, among other things, the weather conditions at our forest locations. For safety reasons, we discontinue logging in our Sichuan forests during the rainy season, which is usually from July to September. In Yunnan, unlike in Sichuan where villages are engaged for our harvesting, we use professional harvesting teams for harvesting and expect them to continue to log during the rainy season in Yunnan, which usually extends from May to October. Our forests are also subject to snow during the winter. Weather patterns may change in the future due to global environmental and weather conditions. Abnormally prolonged periods of rainfall or snowfall or unusually intense rainfall or snowfall will reduce the volume of logs we are able to extract, which may have a material adverse effect on our business, financial condition and results of operations and our revenues.

Our Controlling Shareholders have and will maintain significant influence over our management and affairs and could exercise this influence against your best interests.

Our Controlling Shareholders will control approximately 51.17% of our issued share capital immediately following completion of the Global Offering (without taking into account of any exercise of the Over-allotment Option). As a result, pursuant to our Articles and applicable laws and regulations, our Controlling Shareholders will be able to exercise significant influence over our Company, including, but not limited to, any shareholder approvals for the election of our Directors and, indirectly, the selection of our senior management, the amount of dividend payments, our annual budget, increases or decreases in our share capital, new securities issuances, mergers and acquisitions and any amendments to our Articles.

The interests of our Controlling Shareholders may not always coincide with our or your best interests and our Controlling Shareholders will maintain, following completion of the Global Offering, the ability to exert significant influence over our actions and effect corporate transactions irrespective of the desires of the other shareholders or our Directors.

In circumstances involving a conflict between the interests of our Controlling Shareholders and our and/or your interests, our Controlling Shareholders may exercise their ability to control us in a manner that would benefit our Controlling Shareholders, to our and/or your detriment. Furthermore, this concentration of ownership may delay or prevent a change of control or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could materially adversely affect the market price of our Shares.

Our forests may not grow in accordance with our expectations.

The success of our business depends in part upon the productivity of our existing and future forests. Growth in forests depend on a number of factors, many of which are beyond our control. These include, but are not limited to, damage by fire, diseases, pests, environmental pollution, and other natural or man-made disasters, as well as silviculture practices, weather, climate, genetic factors, fertilisers used and soil conditions. Our ability to improve the growth speed of our forests will depend on the factors described above as well as our ability to improve planting materials, our ability to identify and grow suitable species of trees and our ability to improve our forest management practices. As a result, there can be no assurance that our forest will grow as we expect. Our future business, financial condition and results of operations may be adversely affected if our forests grow at a slower rate than we expect.

We may not be able to continue to use certain premises.

As at the Latest Practicable Date, our Group leased 6 properties in China — 3 in Yunnan, 2 in Sichuan, and 1 in Beijing, details of which are set out in the section headed “Group III — Property interests rented by the Group” in Appendix IV to this prospectus. Except 1 property in

Yunnan which is used for staff quarters, all of these properties are for office use. As at the Latest Practicable Date, the lessors of 4 of these properties had not yet provided us with the relevant title certificates or other relevant documents evidencing that the lessors have the requisite titles or rights to lease the properties to us, and the tenancy agreements of all 6 properties had not been registered with the relevant PRC authorities. As advised by our PRC legal advisers, if the lessors do not have title to the properties, or the legal and unfettered rights to lease the properties to us, the validity of the lease agreements is uncertain under the PRC laws and regulations. We may therefore be unable to use the relevant properties in the normal course, and may only be entitled to claim loss and damages against the lessors for such loss and damages suffered under such circumstances. Our PRC legal advisers advised that the non-registration of the tenancy agreements will not affect the validity of the relevant tenancy agreements but such tenancy agreements will not be enforceable against bona fide third party so long as such tenancy agreements remain unregistered. Our PRC legal advisers also advised that we may be unable to freely use the leased properties without titles or registration or may be required to move out from these properties. If we are unable to continue to occupy any of these properties or find suitable alternatives, our operations, financial condition and operation results might be affected.

RISKS RELATING TO OUR INDUSTRY

Our forests are in China and are subject to significant PRC regulation. Regulatory changes may adversely affect our forests, our forest rights, and our business, financial condition and results of operations.

Currently all our forest operations are in China and are subject to significant regulation, particularly with respect to our forest rights, which consist of the rights to use the trees, the rights to use the forest land, and the rights to own the trees. Our forest rights are critical to our operations as we must obtain forest rights in order to exploit our forests. In the PRC, all forest lands are owned by the State and the collectives, but the forest rights thereon can be transferred or leased to entities or individuals in accordance with PRC laws. Our forest rights were obtained from the collectives and the individuals (namely the villages and the villagers) and the company who own the forest lands or were provided with the forest rights. We do not own title to the forest land but usage right of the forest land. Our forestry right certificates are subject to a term from 8 to 64 years, with an average term of not less than 20 years. There is no assurance that we can renew our existing forestry right certificates upon expiry, or that we will always obtain or maintain our forest rights due to the continued development of PRC forestry policies. Without forest rights, we will not be able to log or commercially exploit any of our forest assets.

In addition to our forest rights, all of our operations are subject to different national, provincial and local government policies and regulations. For details regarding the regulation of our business activities in the PRC, please see the section headed "Regulatory Overview". Significant regulatory changes in China, including but not limited to, changes in applicable environmental legislation and regulations, tax policies, or any conditions attached to any of our certificates, permits or licenses may have a material adverse effect on our business, financial condition and results of operations.

We face competition from other companies in the forestry industry.

We face many local and overseas competitors who also supply timber to the domestic market. Our primary competitors operate either domestically or within the Asia Pacific region.

In particular, we face competition from a host of small logging firms, some of which may not comply with environmental and other industry standards to the same extent as we do, resulting in their potentially lower operating costs.

Competition in our industry is influenced by factors including costs of new forest acquisitions, regulatory compliance, and forest insurance. Some of our competitors may have lower costs than we do, or, if their operations are located in less developed countries than China, may be subject to less stringent environmental and other governmental regulations than we are, because of different or regional laws and business practices. If we are unable to compete effectively, or if competition increases in the future, our revenues could decline, and there may be material adverse effects on our business, financial condition, results of operations and cash flows.

The forestry industry is affected by weather conditions and natural and man-made disasters outside of our control.

Our harvesting activities and the growth rate of trees on our forests may be adversely affected by unfavourable local and global weather conditions, including but not limited to drought, floods, prolonged periods of rainfall, hailstorms, windstorms, typhoons and hurricanes, and natural disasters, such as fire, disease, landslides, insect infestation, pests, volcanic eruptions or earthquakes. Our operations may also be adversely affected by man-made disasters, such as environmental pollution, arson, accidents, civil unrest or acts of terrorism. The occurrence of natural or man-made disasters may diminish the supply of logs available for harvesting in our forests, or otherwise impede our logging operations or the growth of trees on our forests, which may have a material adverse effect on our ability to produce our products in sufficient quantities and in a timely manner.

The forestry industry faces competition from wood substitutes.

In addition to competition within the forestry industry, the forest industry faces competition from wood substitutes. We face competition from companies that manufacture wood substitutes, such as imitation wood and other materials that are used as alternative materials mainly in construction and in furniture production. The demand for wood products is also affected by changes in consumer trends and tastes. Preference for wood substitutes among manufacturers, construction companies and consumers could decrease demand for our products and have a material adverse effect on our revenue, financial condition and results of operations.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

All of our business assets are located in China, and all of our sales are conducted in Sichuan and Yunnan. Accordingly, our results of operations, financial position and prospects are subject to a significant degree to the economic, political and legal developments in China and in those provinces.

Political and economic policies of the PRC government may adversely affect our business and results of operations and may affect our ability to sustain our future growth and expansion strategies.

The Chinese economy differs from the economies of most developed countries in many respects, including:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- level of capital reinvestment;
- control of capital reinvestment;
- foreign currency exchange;
- control of foreign exchange; and
- allocation of resources.

Since 1978, the PRC government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for China in the last three decades. Many of the reforms are unprecedented or experimental, and such reforms are expected to be modified from time to time. These reforms may have a negative effect on our overall and long-term development and changes in China's political, economic and social conditions, economy and industry policies, laws and regulations may have a material adverse effect on our current or future business, results of operation or financial condition.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions in China. Recently, the PRC government has implemented various measures to control the rate of economic growth and tightened its monetary policies. Economic and market conditions in China that existed over the past three years may not continue and therefore we may not be able to sustain the growth rate we have historically achieved.

As all of our business operations and assets are in China, our business, prospects, financial condition and results of operations may be adversely affected by political, economic and social developments in China, as well as by regional events affecting China, especially in the geographic areas where our forests are located. Such political, economic and social developments include, but are not limited to, changes in government policies, political instability, expropriation, nullification of existing contracts due to change in law, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions. Any such changes in China may have a material adverse effect on our business, financial condition and results of operation.

Changes in foreign exchange regulations and movement in Renminbi exchange rates may adversely affect our business, our results of operations and our ability to remit dividends.

The value of the Renminbi against other foreign currencies is subject to change as a result of the PRC's policies and international economic and political developments. Effective from 21 July 2005, the Renminbi is no longer pegged solely to the US dollar. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 0.3% each day. The exchange rate may become volatile. The Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our net assets, earnings or any declared dividends. However, any unfavourable changes in the exchange rate may lead to an increase in our costs or a decline in sales or increase in our loan liabilities (if any), which could adversely affect our operating results. During the Track Record Period, all our revenue and the majority of our costs incurred were denominated in RMB. As at 31 December of 2006 and 2007, there were no assets and liabilities which were denominated in a foreign currency. Our assets denominated in foreign currency consisted of US$8,628,307 and HK$7,941,641 as at 31 December 2008, and US$49,127,746 and HK$29,772,212 as at 30 June 2009. Our liabilities denominated in foreign currency consisted of US$7,688 and HK$7,862,461 as at 31 December 2008, and US$151,467 and HK$24,101,002 as at 30 June 2009. Our cash in foreign currency consisted of US$8,498,907 and HK$21,948 as at 31 December 2008, and US$48,619,023 and HK$45,346 as at 30 June 2009. At present, all of our sales are denominated in Renminbi and we believe our exposure to foreign exchange risks is minimal. We have not entered into any agreements to hedge our exchange rate exposure.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. The Renminbi still cannot be freely converted into any other foreign currency. Pursuant to China's current foreign exchange control system, it cannot be guaranteed that under a certain exchange rate, there shall be sufficient foreign exchange to meet the foreign exchange requirement of an enterprise. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the right to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved in advance by SAFE. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or satisfy any other foreign exchange requirement. If we fail to obtain the approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, business results and financial conditions, may be materially adversely affected.

Our financial results may be adversely affected by the new PRC EIT Law.

According to the new PRC EIT Law which was enacted by NPC on 16 March 2007 and became effective on 1 January 2008, both domestic enterprises and enterprises with foreign investment will be subject to a uniform tax rate of 25% for China-sourced and overseas-sourced income. Under the Implementation Regulations of PRC EIT Law, the cultivation of forest trees and the gathering of forest products are exempt from enterprise income tax in China and our forestry business falls within this category of business. Therefore our PRC subsidiaries, namely, Kunming Ultra Big and Chengdu Yishang, should be qualified to be exempt from PRC income tax and are currently seeking the tax determination from the tax bureaus. In the event that no tax benefits or preferential tax treatments are granted to them, they will be subject to income tax at a rate of 25%.

Under the new PRC EIT Law, an enterprise incorporated outside of the PRC may be deemed to be a "non-resident enterprise" or "resident enterprise" according to their definitions thereunder.

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC subsidiaries through BVI companies and Hong Kong companies. Under the new PRC EIT Law and the Implementation Regulations of PRC EIT Law, if we are deemed to be a "non-resident enterprise" without an office or premises in the PRC, a withholding tax at the rate of 10% may be applicable to any dividends paid to us, unless we are entitled to reduction or exemption of such tax, for example pursuant to relevant tax treaties. According to the tax treaties between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to its shareholder(s) in Hong Kong will be subject to a withholding tax at a rate of 5% if the Hong Kong company directly holds a 25% or more interest in that PRC enterprise. If dividends derived from our PRC subsidiaries become subject to withholding tax, our profitability and cash flow may be adversely affected.

Under the new PRC EIT Law, enterprises established under the laws of foreign countries or regions with ''de facto management bodies'' located within the PRC territory, are considered as "resident enterprises", and will normally be subject to the enterprise income tax at the rate of 25% for China-sourced and overseas-sourced income. According to the Implementation Regulations of PRC EIT Law which was promulgated on 6 December 2007 and came into effect on 1 January 2008, ''de facto management bodies'' means the bodies which conduct overall management and control of such issues as operation, personnel, finance and assets. Since our management is currently and essentially located in the PRC, if our Group's non-PRC members are treated as ''resident enterprises'' under the PRC EIT Law: (i) their global income will be subject to the uniform tax rate of 25%; and (ii) any dividends we pay to our overseas enterprise Shareholders and any gains realised by such overseas enterprise Shareholders from the transfer of our Shares may be regarded as China-sourced income, and as a result, become subject to a withholding tax at the rate up to 10%. If our Group's non-PRC members are treated as ''resident enterprises'' under the PRC EIT Law, our financial results may be materially and adversely affected due to increased tax liability.

Gains on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes.

Under the PRC EIT Law and its implementation rules, our Company may in the future be recognised as a PRC tax resident enterprise by the PRC taxation authorities, and capital gains realised by foreign corporate Shareholders from sales of our Shares and dividends on our Shares payable to foreign corporate Shareholders may be regarded as income from "sources within the PRC" and therefore become subject to a 10% withholding income tax, unless any such foreign corporate Shareholders' jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. If we are required under the PRC EIT Law to withhold PRC income tax on capital gains on sales of Shares and/or dividends on our Shares payable to foreign corporate Shareholders, the value of our foreign corporate Shareholders' investment in our Offer Shares may be materially and adversely affected.

Our financial results may be adversely affected by the new PRC Labour Contract Law.

As of 30 June 2009, we employed approximately 400 employees in the PRC. On 29 June 2007, the PRC government promulgated a new labour law, namely, the PRC Labour Contract Law, which became effective on 1 January 2008. Under the PRC Labour Contract Law, when we terminate our PRC employees' employment, we are required to compensate them for such amount which is determined based on their length of service with us. In the event we decide to significantly change or decrease our workforce, the Labour Contract Law could adversely affect our ability to effect these changes cost-effectively or in the manner we desire, which could negatively impact our results of operations.

Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business and results of operations and the value of our Shares.

Our business and operations in China are governed by the PRC legal system. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in our Shares. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

As an investor holding our Shares, you hold an interest in our operations in China through our Company. Our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The company law of the PRC and these regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. Therefore, you do not enjoy those shareholder protections that are available in more developed jurisdictions.

It may be difficult to effect service of process upon us or our directors or executive officers who live in China or to enforce against them in the PRC judgments obtained from non-PRC courts.

All of our assets and our subsidiaries are located in China. In addition, most of our Directors and officers reside within China, and the assets of our Directors and officers may also be located mostly within China. As a result, it may not be possible to effect service of process outside China upon most of our Directors and officers, including matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. Our PRC legal advisers, Commerce & Finance Law Offices, have advised us that China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC of court judgements from Japan, the United Kingdom and the United States in relation to any matter not subject to a binding arbitration provision is subject to uncertainties.

The outbreak of any severe contagious diseases in China, if uncontrolled, could adversely affect our results of operations and the price of the Shares.

The outbreak of any severe contagious disease in China, if uncontrolled, could adversely affect the overall business sentiments and environment in China, which in turn may lead to slower overall GDP growth in China. As all of our sales are derived from the domestic China market, any contraction or slow down in the GDP growth of China will adversely affect our financial condition, results of operations and future growth. In addition, if any of our employees is infected or affected by any severe communicable diseases outbreak, it could adversely affect or disrupt our production and adversely affect our business operations as we may be required to cease our logging activities to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, causing delivery disruptions which could in turn adversely affect our operating results and our Share price.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARE PERFORMANCE

There has been no prior public market for our Shares and an active trading market for our Shares may not develop.

Prior to listing of our Shares on the Hong Kong Stock Exchange, there has been no public market for our Shares. The Offer Price will be the result of negotiations between the Joint Global Coordinators (on behalf of the Underwriters) and us and may differ from the market prices for our Shares after listing. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the listing of our Shares on the Hong Kong Stock Exchange will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. There can be no assurances as to the ability of Shareholders to sell their Shares or the price at which the Shares can be sold.

Our Share price may be volatile and could result in substantial losses for investors purchasing Offer Shares in the Global Offering.

The pricing and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, amongst others, some of which are beyond our control:

- variations in the results of our operations;
- changes in securities analysts' analysis of our financial performance;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock market prices and volume;
- involvement in litigation; and
- general economic and stock market conditions.

Stock markets and the shares of Chinese companies have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Our forecast consolidated net profit attributable to equity holders of our Company for the year ending 31 December 2009 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions.

Our Directors forecast that, on the bases and assumptions set out in Appendix III — "Profit Forecast", and in the absence of unforeseen circumstances, our forecast consolidated net profit attributable to the equity holders of the Company in accordance with IFRS for the year ending 31 December 2009 is unlikely to be less than RMB508 million, calculated after changes in fair value of our plantation assets less costs to sell. In preparing the forecast, we have made a number of assumptions and estimates as described in Appendix III. The forecast profit of RMB508 million for the year ending 31 December 2009 reflects an estimated revaluation gain on our plantation assets less costs to sell of RMB656 million. CFK estimated such revaluation gain for the year ending 31 December 2009 by consistently applying its valuation methodology (which has been adopted for the valuation as of prior balance sheet dates), estimating log prices and costs prevailing as at 31 December 2009 and adopting discount rate and yield estimate which (in the absence of any information to suggest anything has changed) are consistent with those adopted in valuation as of 31 December 2008 and

30 June 2009. The extent of any revaluation gain or loss for the year ending 31 December 2009 is dependent on market conditions and other factors that are beyond our control. As a result, we can provide no assurance that the amount of any revaluation gain or loss on our plantation assets less costs to sell as at 31 December 2009 will not be materially different from our estimate. We expect the fair value of our plantation assets less costs to sell as at 31 December 2009 to continue to be based on calculations performed by independent professional valuers, involving the use of estimates and assumptions (including log prices, production cost and yield estimate) that are, by their nature, subjective and uncertain, including those described in "Critical Accounting Policies — Fair value of plantation assets less costs to sell", any or all of which could prove to be inaccurate. If any such assumptions, or our estimate of revaluation gain or loss on our plantation assets less costs to sell, proves to be inaccurate, our profit forecast based on those assumptions and such estimate could also be incorrect.

The profit forecast in Appendix III includes a sensitivity analysis illustrating the sensitivity of our profit forecast for the year ending 31 December 2009 to increases and decreases of 5.0%, 10.0% and 15.0% in our forecast change in fair value of plantation assets less costs to sell for the year ending 31 December 2009, and indicating the resulting forecast profit or loss arising from such increases or decreases for the year ending 31 December 2009. See the section of Appendix III headed "Assumptions with respect to change in fair value of plantation assets" for such sensitivity analysis. Such sensitivity analysis is intended for illustrative purposes only, and any variation could exceed such amounts. As is illustrated by such sensitivity analysis, our forecast results for the year ending 31 December 2009 may be significantly affected by our actual change in fair value of plantation assets less costs to sell for the year ending 31 December 2009, over which we have no control.

Future sales by our existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of the Shares and the Company's ability to raise equity capital in the future at a time and price that the Company deems appropriate. The Shares held by the Controlling Shareholders, the Carlyle Funds, the Partners Group Funds, Top Wisdom, Victory Early, Mr. Li Han Chun and Mr. Huang Fan are subject to certain lock-up undertakings, details of which are set out in the sections headed "History, Reorganisation and Corporate Structure" and "Underwriting" to this prospectus. While the Company is not aware of any intentions of these Shareholders to dispose of significant amounts of their Shares after the completion of the lock-up periods, there is no assurance that they will not dispose of any Shares they may own now or in the future.

Prospective investors should not place any reliance on any information contained in the press coverage regarding our Group and the Global Offering and should read the entire prospectus carefully. We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding our Group and the Global Offering including but not limited to those published in the Hong Kong Economic Journal dated 4 September 2008, in Hong Kong Economic Times dated

5 November 2009, in Apple Daily dated 9 November 2009, in Oriental Daily News dated 9 November 2009, Sing Pao dated 9 November 2009 and Ming Pao Daily News dated 9 November 2009. Such publication included certain information about the Group such as certain financial information, industry comparisons and/or other information about the Global Offering and the Group that does not appear in or is inconsistent with the disclosure in this Prospectus. We have not authorised the disclosure of such information in the press or media. There may continue to be additional press and media coverage on us and the Global Offering. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus that is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, you should not rely on any such information. In making the decision as to whether to purchase or subscribe for the Offer Shares, investors should rely only on the financial, operational and other information included in this prospectus.

We may not be able to pay any dividends on our Shares.

Subject to the Cayman Companies Law, our Company may declare dividends in any currency to be paid to the Shareholders, but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles provide dividends may be declared and paid out of the profits of our Company, realised, or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. There is no assurance that we will declare dividends of similar amounts at similar rates or at all in the future. Future dividends, if any, will be at our Board's discretion and will depend on our future results of operations, capital requirements, financial condition, legal and contractual restrictions and other factors deemed relevant by the Board.

We cannot guarantee the accuracy of facts and other statistics derived from government official publications with respect to China, the PRC economy and the PRC forestry industry contained in this prospectus.

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the PRC forestry industry have been derived from government official publications. However, we cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by us, the Joint Sponsors, the Joint Global Coordinators or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between government-published information and other market practice, these facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled by the government on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics from government official publications with respect to China, the PRC economy and the PRC forestry industry contained in this prospectus.