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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed "Risk factors". You should read that section carefully before you decide to invest in the Shares.*

*Capitalised terms are defined in the section headed "Definitions". Please also refer to the section headed "Glossary of Technical Terms" for the definition and explanation of various technical expressions.*

## OVERVIEW

The Group is principally engaged in the production and sale of white top linerboard, light-coated linerboard and core board. The Group has enjoyed significant growth in its revenue and net profits with a CAGR of approximately 58.3% and 234.6%, respectively, for the three years ended 31 December 2006. The Group's profit attributable to equity holders of the Company increased more than 10 times from RMB4.4 million in 2004 to RMB49.9 million in 2006.

According to the China Paper Association:

- Changle Sunshine, a key operating subsidiary of the Group, was the largest producer of white top linerboard by production output in China for the year ended 31 December 2006;
- Changle Sunshine was one of the top three largest producers of core board by production output in China for the year ended 31 December 2006; and
- Changle Sunshine had the largest production capacity for light-coated linerboard in China as at 30 June 2007.

White top linerboard and light-coated linerboard are each a main material layer of boxes used to package various consumer products, including food, beverages and electronics. Core board is used to produce durable spindles which are widely adopted for various packaging purposes as well as for industrial uses. The Directors believe that the main products of the Group, which the Directors consider to be of higher grade, command a higher market price compared to typical paper products in the same categories. The Group also produces packaging boxes, copper plate paper and other related products.

Through the Group's manufacturing processes, the Group recycles recovered paper into the Group's main products. The Group obtains its supply of recovered paper domestically within China, as well as through imports from other countries. In this respect, the Directors consider the Group's main products, containing a high percentage of recovered paper, to be environmentally friendly.

The Group has implemented environmentally responsible practices and high environmental standards in its custom designed and integrated production processes, from the sourcing of raw materials and the treatment of wastes to the re-processing of by-products and the processing of surplus products. In September 2007, Changle Sunshine was accredited with GB/T 24001-2004 idt ISO14001:2004 certification in relation to its environmental management system and with GB/T 19001-2000 idt ISO9001:2000 certification in relation to its quality control system.

The table below sets out the breakdown of the Group's turnover by product category for the periods indicated:

| | For the year ended 31 December | | | | | | | | | Six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | | | 2005 | | | 2006 | | | 2006 | | | 2007 | | |
| | RMB'000 | % | gross profit margin % | RMB'000 | % | gross profit margin % | RMB'000 | % | gross profit margin % | RMB'000 (unaudited) | % | gross profit margin % | RMB'000 | % | gross profit margin % |
| White top linerboard | 178,559 | 73.0 | 17.1 | 334,209 | 74.7 | 21.2 | 424,004 | 69.1 | 21.1 | 186,498 | 68.0 | 21.0 | 448,988 | 77.2 | 16.8 |
| Light-coated linerboard | — | — | — | — | — | — | — | — | — | — | — | — | 5,892 | 1.0 | 12.4 |
| Core board | 46,203 | 18.9 | 14.0 | 107,139 | 24.0 | 15.9 | 123,804 | 20.2 | 19.6 | 59,256 | 21.6 | 17.6 | 66,054 | 11.4 | 25.1 |
| Specialized paper products(Note) | 19,924 | 8.1 | 10.1 | 5,929 | 1.3 | 3.6 | 65,559 | 10.7 | 7.9 | 28,684 | 10.4 | 11.3 | 60,946 | 10.4 | 7.8 |
| **Total** | 244,686 | 100.0 | 15.9 | 447,277 | 100.0 | 19.7 | 613,367 | 100.0 | 19.3 | 274,438 | 100.0 | 19.2 | 581,880 | 100.0 | 16.7 |

*Note*: The specialized paper products of the Group comprise packaging boxes, copper plate paper and other related products.

As at 30 June 2007, the Group operated five technologically advanced production lines with an aggregate annual estimated production capacity of approximately 360,000 tonnes, and employed over 1,100 full-time employees. The Group has two production bases, one in Weifang, Shandong province and the other in Kunshan, Jiangsu province.

The Group has fully integrated manufacturing facilities supported by its own power and steam generation plant, waste treatment systems, recovered paper collection points, transportation vehicles, raw materials storage yard and an extensive network of sales representative offices in the PRC. As part of the Group's strategy, the Group intends to expand the number of its recovered paper collection points from its current two collection points in Weifang, Shandong province and Harbin, Heilongjiang province to 10 by the end of 2008.

The Group's products are mainly sold in the PRC market. In 2007, the Group increased its exports significantly, principally to the Middle East, North America and Asia. The table below sets forth the breakdown of the Group's revenue derived from domestic and export sales for the periods indicated:

| | Year ended 31 December | | | | | | Six months ended 30 June | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | | 2006 | | 2007 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | | | | | | | (unaudited) | | | |
| Domestic | 244,686 | 100.0 | 446,304 | 99.8 | 610,024 | 99.5 | 274,223 | 99.9 | 523,737 | 90.0 |
| Export | — | 0.0 | 973 | 0.2 | 3,343 | 0.5 | 215 | 0.1 | 58,143 | 10.0 |
| Total | 244,686 | 100.0 | 447,277 | 100.0 | 613,367 | 100.0 | 274,438 | 100.0 | 581,880 | 100.0 |

The Group has a large customer base in China, comprising over 1,000 customers of whom approximately 300 are relatively major customers. The Group's customers are mainly corrugators and paperboard and packaging companies. These customers in turn manufacture their products for leading brand name end-users across various industries such as food and beverages, electronics and textiles. The Group has signed strategic co-operation agreements with several packaging or printing companies who are the suppliers to various leading consumer product manufacturers, such as Mengniu Dairy, Tsingtao Brewery, Yili Dairy, Haier, Huiyuan Juice and Master Kong Chef, for their product packaging paper requirements.

The Directors believe that the Group is well-positioned to capture future growth opportunities as it has made substantial capital investments to secure valuable resources, such as the acquisition of land use rights for approximately 325,635 sq.m. of land adjacent to its Weifang production site at a consideration of approximately RMB42.2 million. The Group also increased its equity interest in Shengshi Thermoelectricity from 20% to 80% which provides the Weifang production facility with a stable, convenient source of electricity and steam which are two of the Group's major inputs in its production process.

The Directors believe that as a result of its product quality, commitment to responsible environmental practices, strong reputation, customer-oriented services and an extensive network of sales representative offices in the PRC, the Group is well-positioned to enhance its market position.

## COMPETITIVE STRENGTHS

The Directors are of the view that the Group has the following competitive strengths:

- Well-established market leadership position and potential for further expansion
- Strong product and process technology for enhanced operational efficiency
- Fast-growing demand for the Group's products
- Environmentally-friendly operations and products
- Stable and experienced management team

## BUSINESS STRATEGIES

The Group aims to enhance its market position, maximize shareholder value and pursue a sustainable business growth strategy. To achieve this, the Group plans to focus on the following strategies:

- Maintaining and increasing dominant share of the Group's fast growing markets
- Continuing to enhance operating efficiency
- Strengthening the Group's relationship with leading consumer product manufacturers
- Expanding its network of strategically located recovered paper collection points
- Pursuing strategic acquisitions and joint ventures

## TRADING RECORD

The following is a summary of the Group's combined results for the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007 extracted from the accountants' report set out in Appendix I to this prospectus. The results were prepared on the basis of the presentation as set out in the above mentioned accountants' report.

### I. Summary Combined Income Statements

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006 | 2007 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Revenue | 244,686 | 447,277 | 613,367 | 274,438 | 581,880 |
| Cost of sales | (205,836) | (359,056) | (494,700) | (221,642) | (484,516) |
| Gross profit | 38,850 | 88,221 | 118,667 | 52,796 | 97,364 |
| Other income | 5,581 | 13,081 | 12,327 | 5,207 | 6,509 |
| Loss on disposal of subsidiaries | (249) | — | — | — | — |
| Share of result of an associate | (296) | (438) | 1,257 | 481 | 2,025 |
| Distribution expenses | (19,856) | (33,074) | (41,524) | (19,784) | (31,626) |
| Administrative expenses | (9,811) | (13,203) | (22,072) | (10,140) | (14,751) |
| Finance costs | (7,246) | (12,028) | (12,563) | (6,680) | (14,238) |
| Profit before tax | 6,973 | 42,559 | 56,092 | 21,880 | 45,283 |
| Income tax expense | (2,493) | (914) | (5,932) | (6,260) | (694) |
| Profit for the year/period | 4,480 | 41,645 | 50,160 | 15,620 | 44,589 |
| Attributable to: | | | | | |
| Equity holders of the Company | 4,422 | 42,451 | 49,940 | 15,339 | 44,086 |
| Minority interests | 58 | (806) | 220 | 281 | 503 |
| | 4,480 | 41,645 | 50,160 | 15,620 | 44,589 |
| Earnings per share - basic (RMB) | 0.05 | 0.30 | 0.29 | 0.09 | 0.26 |

## II. Summary Combined Balance Sheets

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 152,106 | 222,722 | 446,215 | 722,054 |
| Prepaid lease payments | | | | |
| — non-current portion | 16,048 | 16,722 | 39,679 | 79,941 |
| Interest in an associate | 5,577 | 8,889 | 18,246 | — |
| Goodwill | — | 200 | 554 | 19,246 |
| Deferred tax assets | 84 | 92 | 492 | 226 |
| | 173,815 | 248,625 | 505,186 | 821,467 |
| Current assets | | | | |
| Prepaid lease payments | | | | |
| — current portion | 341 | 341 | 934 | 1,860 |
| Inventories | 41,411 | 62,241 | 105,086 | 154,832 |
| Trade receivables | 40,957 | 49,035 | 64,262 | 135,447 |
| Bills receivable | 24,893 | 125,710 | 168,957 | 286,116 |
| Prepayments and other receivables | 17,906 | 16,936 | 21,200 | 20,378 |
| Income tax recoverable | — | 1,195 | — | — |
| Restricted bank deposits | 85,239 | 34,075 | 64,572 | 77,012 |
| Bank balances and cash | 8,376 | 23,068 | 11,913 | 237,799 |
| | 219,123 | 312,601 | 436,924 | 913,444 |
| Current liabilities | | | | |
| Trade payables | 50,867 | 132,340 | 137,780 | 281,488 |
| Bills payable | 29,035 | 13,000 | 66,998 | 55,797 |
| Other payables | 31,509 | 70,956 | 231,750 | 493,426 |
| Income tax payable | 1,895 | — | 952 | 4,625 |
| Dividend payable | — | — | 1,031 | — |
| Bank borrowings — due within one year | 223,723 | 162,661 | 323,328 | 492,243 |
| Other borrowings | — | — | — | 26,950 |
| | 337,029 | 378,957 | 761,839 | 1,354,529 |
| Net current liabilities | (117,906) | (66,356) | (324,915) | (441,085) |
| Total assets less current liabilities | 55,909 | 182,269 | 180,271 | 380,382 |
| Capital and reserves | | | | |
| Paid-in capital/Share capital | 50,660 | 70,660 | 1 | 1 |
| Reserves | 149 | 42,600 | 171,632 | 219,914 |
| Equity attributable to equity holders of the Company | 50,809 | 113,260 | 171,633 | 219,915 |
| Minority interests | — | 12,109 | 8,638 | 33,668 |
| Total equity | 50,809 | 125,369 | 180,271 | 253,583 |
| Non-current liabilities | | | | |
| Bank borrowings — due after one year | 5,100 | 56,900 | — | 120,400 |
| Deferred tax liabilities | — | — | — | 6,399 |
| | 5,100 | 56,900 | — | 126,799 |
| | 55,909 | 182,269 | 180,271 | 380,382 |

For additional information on the combined results of the Group, please refer to the section headed "Financial Information" and Appendix I to this prospectus.

## PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2007

| | |
|---|---|
| Forecast combined profit attributable to the equity holders of the Company (*Notes 1 and 2*) | not less than RMB132.0 million (approximately HK$135.5 million) |
| Unaudited pro forma forecast earnings per Share *(Note 3)* | not less than RMB0.33 (approximately HK$0.34) |
| Unaudited pro forma forecast earnings per Share — pro forma fully diluted *(Note 4)* | not less than RMB0.22 (approximately HK$0.23) |

*Notes:*

(1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2007 have been prepared and are summarised in Appendix IV to this prospectus.

(2) The forecast combined profit attributable to the equity holders of the Company for the year ending 31 December 2007 prepared by the Directors is based on the audited combined results of the Group for the six months ended 30 June 2007, the Group's unaudited combined management accounts for the three months ended 30 September 2007 and a forecast of the combined results of the Group for the three months ending 31 December 2007 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2007. The forecast has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by the Group as set out in Note 1 of section C of the Accountants' Report, contained in Appendix I to this prospectus.

(3) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2007 and a total of 400,000,000 Shares in issue, assuming that the Global Offering has been completed on 1 January 2007 (without taking into account the Over-allotment Option).

(4) The calculation of the unaudited pro forma forecast earnings per Share on a fully diluted basis is based on the forecast combined profit attributable to the equity holders of the Company for the year ending 31 December 2007 adjusted for share-based payments expenses as described in Note 3 of Section B of the Unaudited Pro Forma Financial Information, contained in Appendix III to this prospectus, and assuming a total of 414,400,000 Shares is in issue during the entire year after adjusting for the effect of the 14,400,000 Shares that may be issued pursuant to the options that have been conditionally granted under the Pre-IPO Share Option Scheme (without taking into account the Over-allotment Option).

## OFFERING STATISTICS

| | Based on the minimum indicative Offer Price of HK$5.75 per Share | Based on the maximum indicative Offer Price of HK$7.45 per Share |
|---|---|---|
| Market capitalisation of the Shares *(Note 1)* | HK$2,300 million | HK$2,980 million |
| Forecast price/earnings multiple *(Note 2)* | approximately 17.0 times | approximately 22.0 times |
| Unaudited pro forma net tangible assets value per Share *(Note 3)* | approximately HK$1.80 (approximately RMB1.75) | approximately HK$2.20 (approximately RMB2.14) |

*Notes:*

(1) The calculation of the market capitalisation of the Shares is based on 400,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.

(2) The calculation of forecast price/earnings multiple on a pro forma basis is based on the unaudited pro forma forecast earnings per Share for the year ending 31 December 2007 at the minimum and the maximum indicative Offer Price, and based on the assumption set forth in note (1) above. The forecast price/earnings multiple would be approximately 17.0 times and 22.0 times at the minimum and maximum indicative Offer Price, respectively.

(3) The unaudited pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma statement of net tangible assets" in the section headed "Financial Information" in this prospectus and on the basis of 400,000,000 Shares in issue at the minimum and the maximum indicative Offer Price of HK$5.75 and HK$7.45 per Share, respectively, immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$6.60 per Share (being the mid-point of the stated range of the Offer Price of between HK$5.75 and HK$7.45 per Share), the unaudited pro forma net tangible assets value of the Group will increase and the unaudited pro forma forecast earnings per Share will decrease correspondingly.

## DIVIDENDS

The Directors are of the view that the amount of any dividends to be declared in the future will depend on, among others, the Group's results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable laws and regulations and all other relevant factors.

Subject to the foregoing, the Directors intend to declare and recommend dividends which would amount in total to not less than 15% of the net profit of the Company for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividends in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

## USE OF PROCEEDS

The net proceeds of the Global Offering to be received by the Group after the deduction of underwriting commission and estimated expenses payable by the Group, and assuming an Offer Price of HK$6.60 per Share (being the mid-point of the stated range of the Offer Price of between HK$5.75 and HK$7.45 per Share) and that the Over-allotment Option is not exercised in whole or in part, are estimated to amount to approximately HK$592.3 million (approximately RMB577.1 million). The Group intends to apply the net proceeds as follows:

1. Approximately HK$519.4 million (approximately RMB506.1 million) for the purchase, installation and implementation of various production equipment and supporting facilities to produce white top linerboard and light-coated linerboard products. These include:

   (i) Approximately HK$69.5 million (approximately RMB67.7 million) for the construction of supporting infrastructure; and

   (ii) Approximately HK$449.9 million (approximately RMB438.4 million) for the purchase, installation and implementation of the paper machines and supporting equipment comprising:

      - approximately HK$295.0 million (approximately RMB287.4 million) for the purchase of paper machines;
      - approximately HK$102.6 million (approximately RMB100.0 million) for the purchase and construction of pulp processing equipment; and
      - approximately HK$52.3 million (approximately RMB51.0 million) for the purchase of paper manufacturing supporting equipment.

2. Approximately HK$47.2 million (approximately RMB46.0 million) for the expansion of the Group's network of recovered paper collection points.

3. Approximately HK$20.6 million (approximately RMB20.0 million) for the Group's research and development efforts as follows:

   - approximately HK$11.3 million (approximately RMB11.0 million) to optimize the Group's production process to increase the use of recycled water;
   - approximately HK$4.1 million (approximately RMB4.0 million) to improve the Group's water recycling processes;
   - approximately HK$2.1 million (approximately RMB2.0 million) for the hire of new research staff to establish a technology center and to foster closer collaboration efforts with Shandong Institute of Light Industry (山東輕工業學院); and
   - approximately HK$3.1 million (approximately RMB3.0 million) for general research and development purposes.

4. Approximately HK$5.1 million (approximately RMB5.0 million) for the installation of the Group's enterprise resource planning system at its Weifang production facility to enhance operating efficiencies.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, the Company will receive additional net proceeds of approximately HK$81.2 million (approximately RMB79.1 million) when compared to the net proceeds for the Company with the Offer Price being determined at the mid-point of the stated range, which will be allocated for the settlement of the following bank loan:

| Name of bank | Drawdown Date | Maturity Date | Loaned Principal Amount | Principal Amount* | Amount to be repaid by utilising additional net proceeds | Outstanding principal | Annual Interest rate |
|---|---|---|---|---|---|---|---|
| | | | RMB'000 | HK$'000 | HK$'000 | HK$'000 | |
| Industrial and Commercial Bank of China . . . . . . . . . . . . . . | 24 June 2007 | 24 July 2008 | 100,000 | 102,627 | 81,200 | 21,427 | 8.0% |

* Note: using the exchange rate of RMB0.9744 = HK$1.00 for illustration purpose only.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Global Offering will decrease by approximately HK$81.2 million (approximately RMB79.1 million) when compared to the net proceeds that would be received by the Company with the Offer Price being determined at the mid-point of the stated range. In this respect, the application of the net proceeds as set out in sub-paragraphs 1. to 4. above will be subjected to a proportional reduction. Under such circumstances, the Company will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

In the event that the Over-allotment Option is exercised in full and taking into account the effect of the Over-allotment Option only, assuming an Offer Price of HK$5.75 per Share (being the low-end of the proposed Offer Price range), the Company will receive additional net proceeds of approximately HK$82.4 million (approximately RMB80.3 million); assuming an Offer Price of HK$6.60 per Share (being the mid-point of the proposed Offer Price range), the Company will receive additional net proceeds of approximately HK$94.5 million (approximately RMB92.1 million). In all these two cases, the additional net proceeds will be used for the repayment of the Industrial and Commercial Bank of China bank loan referenced above.

Assuming an Offer Price of HK$7.45 per Share (being the high-end of the proposed Offer Price range), the Company will receive additional net proceeds of approximately HK$106.7 million (approximately RMB104.0 million). Under these circumstances, the Directors intend to use the additional net proceeds to repay the following loans due to the Industrial and Commercial Bank of China: (i) the outstanding loan in the principal amount of approximately HK$21.4 million (approximately RMB20.9 million) as set out above; (ii) the outstanding loan in the principal amount of HK$12.3 million (approximately RMB12.0 million), with an annual interest rate of 6.73% and a mature date of 28 January 2008 and (iii) the outstanding loan in the principal amount of HK$15.7 million (approximately RMB15.3 million), with an annual interest rate of 6.73% and a mature date of 15 May 2008. The proceeds of the loans under (ii) and (iii) were used to finance the purchase of fixed assets and construction of the Group's supporting infrastructure. The remaining portion of approximately HK$57.3 million (approximately RMB55.8 million) will be used for the working capital requirements and general corporate purpose.

To the extent that the net proceeds from the issue of new Shares are not immediately required for the above purposes or if the Group is unable to effect any part of its business strategies, the Group may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong and/or PRC for so long as it is in the Group's best interests. The Group will also disclose the same in the relevant annual report.

## RISK FACTORS

The Directors believe that there are certain risks involved in the Group's operations. They can be broadly categorized into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the Group's operations in China; and (iv) risks relating to the Global Offering.

### Risks relating to the Group

- Price fluctuation of raw materials
- Reliance on white top linerboard products
- The Group's business and operations require significant and continuous capital investment. Failure to raise sufficient capital in a timely manner may adversely affect its business and results of operations
- The Group had net current liabilities during the Track Record Period
- The Group had an increasing level of bank borrowings, and rising interest rates could adversely affect the Group's financial performance
- Reliance on key management personnel
- The Group may face competition and lose its dominant market share in the light-coated linerboard market in the PRC if it cannot compete successfully
- Reliance on the PRC market
- Reliance on major suppliers
- The Group relies on Shengshi Thermoelectricity for the supply of steam
- The Group may be exposed to risks associated with the operations of Shengshi Thermoelectricity
- There is no assurance the Group will fulfill the 2007 Net Profit Guarantee and the Revised Profit Guarantee
- The Group may not be able to implement its business strategies on schedule or within budget or at all
- The Group may experience difficulties managing its growth
- The Group may not be able to identify suitable acquisition targets or successfully integrate any future acquisitions into its business
- A material disruption of the Group's operations could adversely affect its revenues and profits
- The Group may be subject to losses that may not be covered in whole or in part by its insurance coverage
- The Group's leases and use of certain properties may be adversely affected
- The Group may be subject to liability in connection with industrial accidents at its production sites
- The Group's financial results may be adversely affected by the new PRC Income Tax Law

- The Group may lose preferential tax treatment or tax incentives it currently enjoys in the future
- There is no assurance that the Group will continue to receive government grants in the future
- If the Group fails to maintain effective internal controls, then its business, financial results and reputation could be materially and adversely affected
- The Group's shareholders will be diluted in the event of the exercise of share options and its profitability may also be adversely affected as a result of share option grants

**Risks relating to the industry**

- The markets for the Group's products are highly competitive
- The demand and supply of packaging paperboard products are correlated to macro-economic market conditions
- The Group's operations are subject to comprehensive environmental regulations and involve significant expenditures for compliance with regulations
- Seasonality of demand

**Risks relating to the Group's operations in the PRC**

- Changes in China's political, economic and social conditions, laws, regulations and policies may have an adverse effect on the Group
- Currency conversion and exchange control
- It may be difficult to effect service of process upon the Company or the Directors who live in China or to enforce against it or them in China judgments obtained from non-PRC courts
- An outbreak of the H5N1 strain of bird flu, or Avian Flu, or any other similar epidemic may, directly or indirectly, adversely affect the Group's results of operations and the price of the Shares
- The Group's corporate structure may restrict its ability to receive dividends from, and transfer funds to, its PRC operating subsidiaries, which could restrict the Company's ability to declare dividends to its shareholders
- The Group's operating cost may increase due to provision of staff benefits as required by the PRC government

**Risks relating to the Global Offering**

- There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile
- Purchasers of the Shares will experience immediate dilution and may experience further dilution if the Company issues additional Shares in the future
- Future sales by the Company's current shareholders of a substantial number of Shares in the public market could materially and adversely affect the prevailing market price of the Shares
- Investors may face difficulties in protecting their interests because the Company is incorporated under Cayman Islands law, which law may differ in some respects from the laws of Hong Kong and other jurisdictions

- Certain facts and other statistics with respect to China, the PRC economy and the paper industry in this prospectus are derived from various official sources and may not be reliable
- The Group strongly cautions investors not to place any reliance on any information contained in press articles or other media regarding the Group and the Global Offering

## FINANCIAL INVESTORS

The Company has the following Financial Investors:

### SOF(I) Paper

SOF(I) Paper is a company incorporated in the BVI and a wholly-owned subsidiary of SOF(I), which is a closed-end investment company incorporated in BVI. SOF(I) Paper is a special vehicle established by SOF(I) to invest in the Company. SOF(I) is principally engaged in the investment in growing enterprises in a broad range of industries in which it has demonstrated expertise including consumer and retail, new energy and power, industrial and transportation, technology and business services in the Greater China region comprising the PRC, Hong Kong, Taiwan and Macau. Trycom Management Limited ("Trycom") holds approximately 78.9% of the investing shares in SOF(I) which entitle holders to receive dividends of SOF(I). Trycom is ultimately beneficially owned by China Everbright Limited (stock code: 165). The holders of the remaining investing shares of SOF(I) are individuals, trusts or companies who are professional investors and are independent of Trycom and the Company.

### Forebright

Forebright is a company incorporated in the BVI. It is beneficially owned by the investment team of SOF(I) comprising 11 individuals. Among these 11 individuals, Mr. Xu Fang, a non-executive Director, has an approximately 7.9% interest in Forebright. The other 10 individual beneficial owners of Forebright are not connected persons of the Company, and do not have other interests in the Company other than their indirect interest held through Forebright. Forebright principally participates in investments in which SOF(I) is involved as a co-investor.

### LC Fund III

LC Fund III is an exempted limited partnership established under the laws of the Cayman Islands. Its general partner is LC Fund III GP Limited. LC Fund III has nominated Good Rise, its wholly-owned subsidiary and a company incorporated in the BVI, to hold Shares in the Company upon Listing. LC Fund III is principally engaged in making investments in the information technology and other high growth industries. Legend Holdings Limited, the controlling shareholder of Lenovo Group Limited (stock code: 992), is one of the limited partners of LC Fund III. Upon Listing, Legend Holdings Limited will also be deemed interested in the Shares held by Good Rise by reason of its indirect interest in LC Fund III GP Limited, the general partner of LC Fund III, under the SFO.

### DB

DB is an international financial institution incorporated in Germany. It invested in the Company through its Singapore Branch. It is involved in a wide range of activities including but not limited to trading in equity, investment banking, corporate finance and global transaction banking, asset management and private wealth management. DB has nominated Deutsche Securities Asia Ltd, its wholly-owned subsidiary and a company incorporated in Hong Kong, to hold its Shares in the Company upon Listing.

## PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company on 19 November 2007, of which 14,400,000 Shares may be issued upon exercise of all options granted thereunder, representing 3.6% of the aggregate number of Shares in issue immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option).

In addition, the Share Option Scheme has been conditionally approved by the Company on 19 November 2007. The total number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time. Initially, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company may not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), representing 40,000,000 Shares. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For a detailed summary of the Pre-IPO Share Option Scheme and Share Option Scheme, please refer to Appendix VII to this prospectus.