

## SUMMARY

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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.*

*Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.*

### OVERVIEW

We are principally engaged in the manufacture and sale of a kind of specialty paper products, decorative base paper products, and printing paper product. According to China Paper Association, we are one of the few domestic paper manufacturers in the PRC who are capable of manufacturing high-class decorative base paper products, and was ranked by China Paper Association as the largest decorative base paper manufacturer in terms of the actual annual production capacity in the PRC in 2005 and 2006.

By leveraging our production capacity expansion and the technical know-how in the manufacture of high-class decorative base paper products, we achieved encouraging growth in our business during the Track Record Period. For each of the three years ended 31 December 2006, our Group's turnover was approximately RMB467.2 million, RMB696.4 million and RMB950.8 million, respectively, representing a CAGR of approximately 42.7%, and our Group's profit for the year was approximately RMB44.4 million, RMB68.3 million and RMB93.9 million, respectively, representing a CAGR of approximately 45.4%. Moreover, our turnover and profit after taxation for the four months ended 30 April 2007 were approximately RMB338.0 million and RMB67.6 million, respectively, representing a growth of approximately 30.0% and 162.0%, respectively, when compared to those for the four months ended 30 April 2006.

Due to strong personal disposable income growth and rising living standard in the PRC, it is expected that the demand for housing in terms of quality and floor space, and household wares, such as furniture, will continue to rise, which will in turn fuel the growth in the demand for decorative construction materials, including laminated board. According to China Paper Association, based on the development of the laminated board industry in the PRC and the high correlation between laminated board production and decorative base paper consumption, it is expected that there will be enormous growth potential at an annual growth rate in of 20% the demand for decorative base paper industry in the PRC for the next 10 years.

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Our decorative base paper products, being intermediate products, are commonly used as the decorative layer to furnish the surface of laminated board, a decorative material which has wide applications in interior decoration of buildings, transportation vehicles, processed products such as fortified wooden floorboard, furniture and composite office and household wares. To the best knowledge and belief of our Directors, the majority of our customers for decorative base paper products are processing factories, most of which are private enterprises and are principally engaged in the processing and/or manufacturing of laminated boards, who will further process our decorative base paper products with various materials to form laminated boards. Our printing paper product is mainly used for photocopying and printing. Since we commenced the production of printing paper product using our production line no. 4 in July 2006, we have sold all such product to a paper processing and trading company, an Independent Third Party, in the PRC. This customer was also our largest customer for the year ended 31 December 2006 and the four months ended 30 April 2007.

With our highly automated production facilities at our production base located in Zouping County, Binzhou City, Shandong Province, the PRC, we are able to serve as a one-stop shop for a wide range of decorative base paper products. As at the Latest Practicable Date, we owned and operated six highly automated paper production lines (no. 1 to no. 6), with an aggregate designed annual production capacity of approximately 170,000 tonnes. Our designed annual production capacity increased from 60,000 tonnes at the beginning of 2004 to 170,000 tonnes at the end of 2006, representing a CAGR of approximately 41.5% from the beginning of 2004 to the end of 2006. An additional highly automated production line no. 7 with a designed annual production capacity of approximately 30,000 tonnes is currently under construction and is expected to commence commercial production in early 2008.

Our Directors believe that, with our highly automated production lines, effective quality control systems and a highly skilled and well-trained workforce, we are well-positioned in the specialty paper manufacturing industry to capture the anticipated growth in the market demand for decorative base paper products and printing paper products in the PRC.

### COMPETITIVE ADVANTAGES

We believe the following competitive strengths have significantly contributed to our success and will continue to drive our growth:

- We are well-positioned in the specialty paper manufacturing industry in light of the national policies of the PRC
- We are able to capitalise on the growing demand for decorative base paper and printing paper products in the PRC
- We have a well-established reputation and a well-recognised brand name for our high-quality decorative base paper products manufactured with our technical know-how and patent
- We have comprehensive production facilities with large production capacity which allow us to take advantage of economy of scale

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- We are able to compete effectively in terms of pricing with other players in the specialty paper manufacturing industry
- We have a diverse and stable customer base for our decorative base paper products
- We have strong research and development capabilities
- We have stringent quality control standards
- We have experienced management and technical staff

For further details of our competitive strengths, please see the paragraph headed “Competitive advantages” in the section headed “Business” in this prospectus.

### BUSINESS STRATEGIES

We strive to become the leading manufacturer of high-quality decorative base paper products and printing paper product in the PRC. We will continue to seek opportunities to realise sustainable growth of our business. In order to achieve this business objective, we intend to continue to expand our business and market share through the following strategies:

- To add new production lines for manufacturing decorative base paper products and printing paper product
- To broaden our distribution channels in the PRC and overseas and strengthen our marketing efforts by targeting at manufacturers of construction materials
- To enhance our production efficiency and quality control systems
- To improve our research and development capability by forming strategic alliance with established academic institutions
- To enhance the brand awareness of our decorative base paper products marketed under the “” trademark

For further details of our business strategies, please see the paragraph headed “Business strategies” in the section headed “Business” in this prospectus.

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### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table summarises our audited combined results for the Track Record Period, which are prepared on the assumption that our current corporate structure had been in existence throughout the Track Record Period and are extracted from the accountants' report, the text of which is set forth in Appendix I to this prospectus.

	Years ended 31 December			Four months ended 30 April	
	2004 <i>RMB'000</i>	2005 <i>RMB'000</i>	2006 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(unaudited)</i>	2007 <i>RMB'000</i>
<b>Turnover</b>	467,158	696,425	950,844	260,132	338,018
Cost of sales	<u>(382,497)</u>	<u>(563,115)</u>	<u>(766,727)</u>	<u>(207,915)</u>	<u>(255,547)</u>
<b>Gross profit</b>	84,661	133,310	184,117	52,217	82,471
Other revenue	370	662	726	179	163
Selling expenses	(5,084)	(7,008)	(9,597)	(2,723)	(2,357)
Administrative expenses	<u>(6,287)</u>	<u>(9,377)</u>	<u>(11,929)</u>	<u>(3,447)</u>	<u>(5,330)</u>
<b>Profit from operations</b>	73,660	117,587	163,317	46,226	74,947
Finance costs	<u>(5,281)</u>	<u>(13,793)</u>	<u>(20,625)</u>	<u>(5,860)</u>	<u>(7,310)</u>
<b>Profit before taxation</b>	68,379	103,794	142,692	40,366	67,637
Income tax	<u>(24,023)</u>	<u>(35,460)</u>	<u>(48,755)</u>	<u>(14,542)</u>	<u>–</u>
<b>Profit for the year/period</b>	<u>44,356</u>	<u>68,334</u>	<u>93,937</u>	<u>25,824</u>	<u>67,637</u>
Earnings per Share (RMB)					
– basic ( <i>Note</i> )	<u>0.06</u>	<u>0.09</u>	<u>0.13</u>	<u>0.03</u>	<u>0.09</u>

*Note:* The calculation of basic earnings per Share during the Track Record Period is based on the audited combined net profit attributable to equity holders of the Company for the respective years/periods and on the assumption that 750,000,000 Shares were in issue throughout the Track Record Period. The number of Shares comprising 100,000,000 Shares in issue as at the date of this prospectus and 650,000,000 Shares to be issued pursuant to the Capitalisation Issue as described under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 8 September 2007" in Appendix VI to this prospectus.

For additional information on the financial performance of our Group during the Track Record Period, please refer to the section headed "Financial information" in this prospectus and Appendix I to this prospectus.

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### PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007

The following unaudited pro forma fully diluted forecast earnings per Share for the financial year ending 31 December 2007 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 April 2007. This unaudited pro forma fully diluted forecast earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of our Group following the Share Offer.

Forecast combined net profit attributable to  
the equity holders of our Company  
for the financial year ending  
31 December 2007 <sup>(1)</sup> ..... not less than RMB210.0 million  
(equivalent to approximately  
  
HK\$216.3 million)

Unaudited pro forma forecast  
earnings per Share – fully diluted<sup>(2)</sup> ..... not less than RMB0.210  
(equivalent to approximately HK\$0.216)

*Notes:*

- The forecast combined net profit attributable to equity holders of our Company for the financial year ending 31 December 2007 is extracted from the section headed "Financial information – Profit forecast for the financial year ending 31 December 2007" in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

The forecast combined net profit attributable to equity holders of our Company for the financial year ending 31 December 2007 is based on the audited combined results of our Group for the four months ended 30 April 2007, the unaudited management accounts of our Group for the three months ended 31 July 2007, and a forecast of the combined results of our Group for the remaining five months ending 31 December 2007.

- The calculation of the unaudited forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined net profit attributable to equity holders of our Company for the financial year ending 31 December 2007 assuming that our Company had been listed on the Main Board since 1 January 2007 and a total of 1,000,000,000 Shares (including the Shares in issue as at 30 April 2007, Shares under the Capitalisation Issue and the Share Offer) had been in issue during that financial year, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 8 September 2007" in Appendix VI to this prospectus.

### STATISTICS OF THE SHARE OFFER

	<b>Based on the minimum indicative Offer Price of HK\$4.10</b>	<b>Based on the maximum indicative Offer Price of HK\$5.35</b>
Market capitalisation <sup>(1)</sup> .....	HK\$4,100.0 million	HK\$5,350.0 million
Unaudited Pro forma adjusted net tangible assets per Share <sup>(2)</sup> .....	HK\$1.32	HK\$1.62
Forecast price/earnings multiple <sup>(3)</sup> .....	19.0 times	24.8 times

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### Notes:

1. The market capitalisation does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 8 September 2007" in Appendix VI to this prospectus.
2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments set forth in the section headed "Financial information" in this prospectus and on the basis of a total of 1,000,000,000 Shares in issue and expected to be issued immediately following completion of the Share Offer but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 8 September 2007" in Appendix VI to this prospectus. No account has been taken of the interests which may have been received on the estimated net proceeds from the Share Offer that had been received on 1 January 2007.  
  
Appendix II to this prospectus sets forth the calculation of the unaudited pro forma adjusted net tangible assets per Share.
3. The forecast price/earnings multiple on a pro forma basis is calculated based on the forecast earnings per Share on a pro forma basis of approximately HK\$0.216 for the financial year ending 31 December 2007 at the maximum and minimum indicative Offer Price.

If the Over-allotment Option is exercised in full, the number of Shares in issue will increase to 1,045,000,000 Shares (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

### DIVIDEND POLICY

We did not declare or pay any dividend in each of the three years ended 31 December 2006 and the four months ended 30 April 2007. While we intend to declare and pay dividends in the future, the payment and the amount of any dividends will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro-rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our Board's discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, we currently intend to recommend at the next annual general meeting of our Company an annual dividend of approximately 30% of our net profit available for distribution to our Shareholders after the Share Offer.

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### PROPOSED USE OF NET PROCEEDS FROM THE NEW ISSUE

The net proceeds from the New Issue, after deducting underwriting fees and estimated expenses payable by us in connection thereto, are estimated to be approximately HK\$1,130.8 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$4.73 per Share, being the mid-point of the proposed Offer Price range of HK\$4.10 to HK\$5.35 per Share. We currently intend to use such net proceeds as follows:

- as to approximately RMB163.3 million (equivalent to approximately HK\$168.2 million) for the settlement of the remaining balance of the construction costs of our new production line no. 7;
- as to approximately RMB360.0 million (equivalent to approximately HK\$370.8 million) for the construction of our new production lines no. 8 and no. 9;
- as to approximately RMB360.0 million (equivalent to approximately HK\$370.8 million) for the construction of our new production lines no. 10 and no. 11;
- as to approximately RMB40.0 million (equivalent to approximately HK\$41.2 million) for re-engineering and modification of our existing production lines no. 1 and no. 3;
- as to approximately RMB40.0 million (equivalent to approximately HK\$41.2 million) for strengthening our marketing activities;
- as to approximately RMB30.0 million (equivalent to approximately HK\$30.9 million) for development of overseas market;
- as to approximately RMB5.0 million (equivalent to approximately HK\$5.2 million) for research and development; and
- the remaining balance of approximately HK\$102.5 million for our general working capital.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$4.10 to HK\$5.35 per Offer Share, the net proceeds of the New Issue will increase by approximately HK\$385.8 million to approximately HK\$1,516.6 million. Our Directors intend to apply such additional net proceeds as to (i) RMB360.0 million (equivalent to approximately HK\$370.8 million) for further expansion of the production capacity of the planned new production lines no. 10 and no. 11 from the total designed annual production capacity of 60,000 tonnes to 120,000 tonnes if and when appropriate; and (ii) the remaining balance of approximately HK\$15.0 million for our general working capital.

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In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$4.10 to HK\$5.35 per Offer Share, the net proceeds of the New Issue will increase by approximately HK\$151.1 million to approximately HK\$1,281.9 million. Our Directors intend to apply such additional net proceeds and a portion of the net proceeds for our general working capital for further expansion of the production capacity of the planned new production lines no. 10 and no. 11 from the total designed annual production capacity of 60,000 tonnes to 90,000 tonnes, which will cost approximately RMB180.0 million (equivalent to approximately HK\$185.4 million), if and when appropriate.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK\$4.10 to HK\$5.35 per Offer Share, the net proceeds of the New Issue will reduce by approximately HK\$153.5 million to approximately HK\$977.3 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that any part of the net proceeds from the New Issue are not immediately required for the above purposes, we may hold such funds in short-term interest-bearing deposits and/or money-market instruments with authorised financial institutions and/or licensed banks in Hong Kong and/or the PRC.

### RISK FACTORS

Our Group's operations are subject to a number of risks, a detailed discussion of which is set out in the section headed "Risk factors" in this prospectus. These risks can be broadly categorised into:

- risks relating to our Group;
- risks relating to the industry;
- risks relating to the PRC;
- risks relating to the Share Offer; and
- other risks.

Set out below is a list of the risks referred to above:

#### Risks relating to our Group

- We rely on the PRC market
- We rely on our key management personnel

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- We derive a significant portion of our total turnover from our top five customers and, in particular, rely on our single largest customer for our printing paper product
- We do not normally enter into any long-term sales agreement with most of our customers
- We rely on a small number of suppliers for our principal raw materials, the prices and the supply of which may fluctuate from time to time
- We may not be able to sustain our gross profit margin, operating profit margin and net profit margin
- We relied on bank borrowings during the Track Record Period and may continue to depend on bank borrowings in the near future for our operations
- We may not be able to sustain our rapid business growth that we have experienced during the Track Record Period
- We may not be able to implement our future plans successfully
- We rely on constant supply of water, electricity and steam to support our production
- A material disruption to our operations may adversely affect our revenues and profits
- We had a net current liability position as at 31 December of 2004, 2005, 2006 and 30 April 2007
- We could become involved in intellectual property disputes
- We may not be able to pay any dividends on our Shares
- Change in product mix may affect our production costs and production volume, and thus profit margin which may adversely affect our Group's financial performance

### **Risks relating to the industry**

- Stringent environmental protection requirements could affect our business
- We operate in a competitive industry
- We may be adversely affected by slow down in the economy owing to unforeseen circumstances, such as an outbreak of infectious disease

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### **Risks relating to the PRC**

- Changes in political and economic policies in the PRC may affect our business
- Changes in the PRC legislation or the interpretation thereof may affect our business
- Our tax benefits in the PRC may not continue in the future
- Future movements in exchange rates of Renminbi may adversely affect our financial condition and results of operation
- Any increase in interest rates in the PRC may materially affect our results
- Currency conversion may limit our ability to remit dividends and affect our business

### **Risks relating to the Share Offer**

- There has been no prior public market for the Shares
- The market price of our Shares may be volatile

### **Other risks**

- Statistics and industry information have come from various government official publications which may not be reliable
- Forward-looking statements contained in this prospectus may not materialise
- Prospective investors should not place any reliance on any information contained in the press coverage regarding our Group and the Share Offer