
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Global Offering (including any Shares which may be issued pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option) and (ii) the exercise of any options that may be granted under our Share Option Scheme.

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of our Shares on the Hong Kong Stock Exchange is jointly sponsored by Cazenove Asia and UBS AG, Hong Kong Branch, referred to as our Joint Sponsors. Cazenove Asia and UBS AG, Hong Kong Branch are also the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of our Global Offering.

The Hong Kong Public Offering is underwritten by the Hong Kong Underwriters listed in the section headed "Underwriting" in this prospectus, subject to agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters).

The International Offering is expected to be underwritten by the International Underwriters.

For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm, or by his acquisition of the Offer Shares be deemed to confirm, that he is aware of the restriction on offers or sales of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of our Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering or sale of our Offer Shares in certain jurisdictions is restricted by law. Accordingly, and without limitation to the following, this prospectus may not be used for

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the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered for subscription and sale solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of their respective directors, agents, employees or advisers or any other persons or parties involved in the Global Offering.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Australia

This offering circular:

- does not constitute a disclosure document under part 6D.2 of the Corporations Act of the Commonwealth of Australia (“Corporations Act”);
- has not been, and will not be, lodged with the Australian Securities and Investments Commission (“ASIC”) as a disclosure document for the purposes of the Corporations Act; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors (“Exempt Investors”) available under section 708 of the Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of Offer Shares under this document will be made without disclosure in Australia under Part 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the Offer Shares you undertake to us that you will not, for a period of 12 months from the date of issue of the Offer Shares, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Part 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

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Canada

The Offer Shares may not be offered or sold, directly or indirectly, in any province or territory of Canada or to, or for the benefit of, any resident of any province or territory of Canada, except pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made, and only by a dealer duly registered under the applicable securities laws of that province or territory or in accordance with an exemption from the applicable registered dealer requirements.

European Economic Area

In relation to each member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), an offer to the public of the Offer Shares which are the subject of the Global Offering contemplated by this offering circular may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Offer Shares may be made with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its most recent annual or consolidated accounts;
- by the International Underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the publication by the Company or the Joint Global Coordinators of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this offering circular will be deemed to have represented, warranted and agreed with each International Underwriter that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on

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behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the above, the expression “an offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication, in any form and by any means, of sufficient information regarding the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

A securities registration statement has not been filed pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) in relation to the solicitations for offer of the Offer Shares, since such solicitations constitute the private placement to qualified institutional investors under Article 2, Paragraph 3, item 2 i of the Financial Instruments and Exchange Law of Japan.

It is a condition to the purchase of the Offer Shares that the acquirers of the Offer Shares will enter into an agreement stating that the relevant acquirer shall not transfer or resell them except where a transferee is a qualified institutional investor as defined under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the Financial Instruments and Exchange Law of Japan (the Ministry of Finance Ordinance No. 14 of 1993, as amended).

Macau

No Offer Shares will be publicly offered or distributed in Macau. Offer Shares shall be offered in Macau privately without the use of any public means of information or advertisement through an authorised financial intermediary. This offering circular has not been filed with or approved by the Monetary Authority of Macau.

PRC

This offering circular may not be circulated or distributed in the PRC, and the Offer Shares may not be offered or sold, directly or indirectly, to any resident of the PRC, or offered or sold to any person for re-offering or re-sale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the “SFA”). Accordingly, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (i) to an

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institutional investor, (ii) to a relevant person as defined under Section 275(2) and pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, (iii) by way of private placement to no more than 50 persons within any period of 12 months pursuant to, and in accordance with the conditions specified in, Section 272B of the SFA, or (iv) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed for or purchased under Section 275 of the SFA by a relevant person that is specified in Section 276 of the SFA, namely (a) a corporation (which is not an accredited investor as defined under Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA, except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Switzerland

No Offer Shares will be publicly offered or distributed in Switzerland. Offer Shares shall be offered in Switzerland privately only to a select circle of investors without the use of any public means of information or advertisement. This offering circular does not constitute an offer prospectus within the meaning of Art. 652a of the Swiss Code of Obligations. It has not been filed with or approved by any Swiss regulatory authority or stock exchange. The Offer Shares will not be registered in Switzerland or listed at any Swiss stock exchange. This offering circular may not be distributed or used in Switzerland without our prior written approval.

United Arab Emirates and Dubai International Financial Centre

United Arab Emirates

The Offer Shares may not be, have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE, as the case may be, governing the offer, sale, subscription for and transfer and delivery of securities.

Dubai International Financial Centre

The Offer Shares may not be, have not been and will not be offered, sold or publicly promoted or advertised by it in the DIFC other than in compliance with any laws applicable in the DIFC, as the case may be, governing the offer, sale, subscription for and transfer and delivery of securities.

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United Kingdom

This offering circular does not constitute an approved prospectus for the purposes of and as defined in section 85 of the Financial Services and Markets Act 2000 (as amended) (the “FSMA”), has not been prepared in accordance with the prospectus rules issued by the UK Financial Services Authority (the “FSA”) pursuant to section 73A of the FSMA and has not been approved by or filed with the FSA or by any other authority which would be a competent authority for the purposes of Directive 2003/71/EC (the “Prospectus Directive”). The Offer Shares may not be offered or sold and will not be offered or sold to the public in the UK (within the meaning of sections 85 and 102B of the FSMA) save in the circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of the FSMA) being made available to the public before the offer is made. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of the FSMA does not apply to the Company.

This offering circular is directed only at (i) persons outside the UK; (ii) persons having professional experience in matters relating to investments falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the “Order”); (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2)(a) to (d) of the Order; or (iv) to persons to whom it may otherwise be lawfully communicated (all such persons referred to in (i) to (iv) above together being referred to as “Relevant Persons.”

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Global Coordinator, on behalf of the International Underwriters, has advised us that the Offer Shares will be offered and sold by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S and in the United States by broker-dealers registered as such under the Exchange Act to qualified institutional buyers in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Global Offering, an offer or sale of the Offer Shares within the United States by a dealer (whether or not participating in the Global Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States. See the section of this offering circular headed “Notice to Investors.”

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If you purchase Offer Shares in the Global Offering, you will be deemed to have made the representations and agreements described in “Notice to Investors” with respect to that purchase.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Shares on the Hong Kong Stock Exchange. Such market purchases of Offer Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for them to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571 of the Laws of Hong Kong) includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price, (ii) selling or agreeing to sell Offer Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Offer Shares for the sole purpose of preventing or minimising any reduction in the market price, (v) selling Offer Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in the Offer Shares. The size of the long position, and the period for which the Stabilising Manager, or any person acting for them, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. Investors should be warned that, in the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Offer Shares.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on 24 December 2009. As a result, demand for the Offer Shares, and their market price, may fall after the end of the stabilising period.

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Any stabilising action taken by the Stabilising Manager, or any person acting for them, may not necessarily result in the market price of the Offer Shares staying at or above the Offer Price either during or after the stabilising period. Stabilising bids for or market purchases of the Offer Shares by the Stabilising Manager, or any person acting for them, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate additional Shares and cover such over-allocations by the Joint Global Coordinators exercising the Over-allotment Option or by the Stabilising Manager making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

For the purpose of covering any over-allocations, the Stabilising Manager may borrow from Kingfly Capital up to 112,500,000 Shares, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the Stabilising Manager and Kingfly Capital on or about the Price Determination Date. The loan of Shares by Kingfly Capital pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Hong Kong Listing Rules, which restricts the disposal of Shares by the Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the requirements of Rule 10.07(3) of the Hong Kong Listing Rules:

- (i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- (ii) the maximum number of Shares which may be borrowed from Kingfly Capital must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Kingfly Capital or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;
- (iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Hong Kong Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Kingfly Capital by the Stabilising Manager in relation to such Stock Borrowing Agreement.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts

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responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to our Shares.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members is maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands. Our branch register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Dealings in our Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DATA CONVENTION

Certain statistical and market information contained in this prospectus has been derived from governmental and non-governmental official sources. Unless otherwise indicated, information that has been extracted from these sources has not been verified by us independently. This information as extracted from these sources may not be consistent with other statistical information from other sources within or outside China.

FOREST STOCK VOLUME FIGURES

The forest stock volume figures referred to in the "Business" section of this prospectus are simply indicators of forest stock volume and the underlying methodology may not be consistent with those used in the valuation reports prepared in connection with our financial statements. The forest stock volume figures of our forests as at 31 December 2006 included in this prospectus are extracted from the forest valuation reports issued by our PRC forestry valuer on 30 December 2006, for valuing our forestry assets as at 15 December 2006 in accordance with certain PRC valuation principles. The forest stock volume figures of our owned forests as at and after 31 December 2007 as included in this prospectus are extracted

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from the forest valuation reports issued by CFK and prepared in accordance with IAS 41. Whilst CFK's valuation reports show forest stock volume and valuation as at and after 31 December 2007, it does not contain forest stock volume data for prior time. Investors should note that no independent verification has been carried out on such information (including the Group's forest stock volume figures extracted from the forest valuation reports issued by CFK) and the aforesaid valuation reports contain assumptions and qualifications.