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Web Proof Information Pack of
Greatview Aseptic Packaging Company Limited
紛美包裝有限公司

(incorporated in the Cayman Islands with limited liability)

(the “Company”)

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SUMMARY

OVERVIEW

We are one of a select few integrated providers of aseptic packaging and related services globally and the leading alternative supplier in the PRC based on sales volume. We had an estimated 9.6% share of the PRC aseptic packaging market by sales volume for the year ended 31 December 2009, according to Frost & Sullivan. We enjoyed rapidly growing international sales during our Track Record Period and are the second largest roll-fed supplier of aseptic packaging globally, with an estimated market share of about 1.5% by volume in 2009, according to Frost & Sullivan. We are committed to providing customised, high-quality and competitively priced aseptic packs that are fully compatible with standard roll-fed filling machines to leading dairy and non-carbonated soft drink, or NCSD, producers. In addition to our aseptic packs, we also provide our customers a range of support services with respect to standard roll-fed filling machines, which include training and on-site technical assistance, as well as spare parts.

Our aseptic packs, which we sell using the trade name Tralin Pak in carton form under the name “Tralin Brick” as well as in soft pouch form under the name “Tralin Pilo”, maintain a sterile environment and allow for long-term transport and storage without refrigeration, making them suited for storing perishable foods and beverages. Our aseptic packs are used for filled products such as pure and flavoured milk drinks, as well as NCSDs such as juice and tea. We produce our aseptic packs using a sophisticated technology comprising seven alternating layers of LPB, polyethylene, aluminium foil and environmentally-friendly water-based ink. We currently provide our aseptic packs and services to leading dairy and NCSD producers in the PRC and in a number of international markets including France, Germany and Russia.

The aseptic packaging industry has been and currently remains dominated by Tetra Pak, the leading provider of aseptic packs and standard roll-fed filling machines globally, with several other international providers also serving the market. In 2009, Tetra Pak had an estimated market share of approximately 79.7% globally and 70.2% in the PRC by sales volume, according to Frost & Sullivan. We believe that our competitive pricing has allowed us to become a credible alternative supplier of aseptic packs in the highly concentrated aseptic packaging industry. We believe that the key considerations for a customer to engage with us include our ability to:

- ensure the compatibility of our aseptic packs with standard roll-fed filling machines;
- maintain superior product durability;
- handle regular and unplanned orders of significant size in a timely manner; and
- offer a strong value proposition.

We believe our proven track record of meeting these requirements, as well as offering a range of popular product variations and providing standard roll-fed filling machine support services, results in customers considering us as a credible alternative supplier and confidently selecting us along-side, or instead of, the other international providers.

Shandong Tralin Packaging, our main operating subsidiary, was incorporated in 2001 by Tralin Paper and initially engaged in the production and sale of multi-layered compound packaging materials, paper cartons and other paper packages for beverage companies in the PRC. In 2003, Mr Bi, who is presently our CEO, and Mr Hong, who is presently our Chairman, together with certain other members

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of our management team, joined Tralin Packaging and then re-established it as a manufacturer of aseptic packs. In 2005, we began serving the high end PRC dairy segment when we began supplying aseptic packs to Mengniu. In 2006, our annual production volume reached one billion packs. In 2008, we secured our first substantial international sales with a global dairy conglomerate based in France. In 2009, we had more than 100 customers, and from 2003 to 2009 we had produced an aggregate of approximately 10.3 billion packs.

Our head office is located in Beijing. We have two factories, one in Gaotang, Shandong Province (comprising two separately housed production facilities totalling approximately 51,744.6 sq.m) and another recently completed factory in Helingeer, Inner Mongolia (totalling approximately 66,667 sq.m) which we expect to begin commercial production by the end of 2010. We maintain support and development facilities in Beijing and Shanghai that are dedicated to the servicing of standard roll-fed filling machines and the continued compatibility of our aseptic packs with such machines in the event that specifications are altered or new models are launched. To support our international growth, we engage sales personnel in certain European countries including Switzerland, France and Germany, and maintain a network of direct and third-party representatives and agents throughout North America, South America and Asia. We have entered into agreements with our representatives and agents in Asia and signed letters of intent with our representatives and agents in North America and South America in relation to the marketing and distribution of our aseptic packs. We were still in the process of negotiating the terms and conditions of definitive agreements to be entered into with the representatives and agents in North America and South America as at the Latest Practicable Date.

Since our transition to aseptic packaging, we have substantially increased our annual production volume, from approximately 65.2 million packs in 2003 to approximately 3.9 billion packs in 2009. Based on our consideration of the following factors, we believe it is important to build capacity to meet demand in the short term: (i) the strong growth of the PRC aseptic packaging market, which has grown in terms of sales volume at a CAGR of 12.8% from 2005 to 2009, and is expected to grow at a CAGR of 14.1% from 2009 to 2015, according to Frost & Sullivan; (ii) our historical track record of exceeding the market rate of growth, with production volume increasing at a CAGR of approximately 46.0% from 2007 to 2009 and (iii) the need to demonstrate to existing and prospective customers that we are capable of handling larger order volumes. By the end of 2010, when our Helingeer Factory is expected to begin commercial production, we expect our total annual production capacity to reach approximately 9.4 billion packs.

We place a strong emphasis on environmentally responsible practices in our operations. We initially obtained ISO 14001 certification for our environmental management standards in 2004. In an effort to achieve more sustainable production processes, we print all of our packaging using environmentally-friendly water-based inks and we request proof of either FSC, SFI or PEFC sustainable forestry certifications from all of our LPB suppliers. During the design-phase of our Helingeer Factory, we undertook a “carbon footprint” accounting which has allowed us to institute a carbon-neutralisation scheme with respect to the environmental impact of the facility’s construction. We are also in discussions with the other leading aseptic pack providers in the PRC to form a recycling alliance, which will be dedicated to the promotion of post-consumption recycling activities in the PRC.

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The following table sets forth the revenue derived from our dairy and NCSD customers and the percentage each represents against total revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000) (unaudited)	% of Total Revenue	(RMB'000)	% of Total Revenue
Dairy	244,175	64.2%	339,363	64.6%	515,409	66.8%	242,798	64.1%	375,850	74.7%
NCSD	136,213	35.8%	185,605	35.4%	256,461	33.2%	135,925	35.9%	127,376	25.3%
Total	380,388	100.0%	524,968	100.0%	771,870	100.0%	378,723	100.0%	503,226	100.0%

COMPETITIVE STRENGTHS

We believe that the followings strengths have contributed to our competitive position in the aseptic packaging market:

- We are one of a select few integrated providers of aseptic packaging and related services globally and the leading alternative supplier in the PRC.
- We benefit from our rapidly growing PRC market share.
- The value proposition we offer customers is underpinned by our world-class product and service offering and strengthened by our stringent quality assurance program.
- We have a meaningful scale of operations and a proven track record in expanding our production capacity.
- We have strong relationships with leading PRC and multinational dairy and NCSD producers.
- We have a highly credible management team with substantial industry experience and a proven track record of execution both in the PRC and internationally.

OUR BUSINESS STRATEGIES

Our principal business objective is to further consolidate our market share in the aseptic packaging business and continue to expand in the PRC and international markets by pursuing the following key strategies:

- Continue to grow market share with our key customers while broadening customer mix in the PRC market.
- Further expand and penetrate selective international markets.
- Expand our own roll-fed filling machine support services.

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- Continue to optimise products and production processes.
- Strategically explore value-enhancing acquisitions and/or joint ventures to further grow our market share.

RISK FACTORS

Risks relating to our business

- Tetra Pak’s dominance of the industry may limit our ability to compete effectively and affect our ability to produce aseptic packs that are compatible with standard roll-fed filling machines.
- If Tetra Pak engages in strategic price competition with us, our financial performance would be adversely affected.
- We rely heavily on our major customers and, in particular, our top three customers.
- We may fail to manage our rapid growth and/or implement our future expansion plans on time, within budget, or at all, or we may fail to realise the anticipated benefits from our expansion plans.
- We only recently began selling our aseptic packs internationally in substantial amounts.
- Our expansion plans in Europe and other countries may increase the likelihood of additional infringement lawsuits from our competitors.
- Our failure to compete with existing domestic and international competitors and/or new entrants to the aseptic packaging market could lead to a loss of sales or decline in our profitability.
- Shortages of raw materials on any increase in the prices of our raw materials that we are unable to pass on to our customers could negatively impact our business and financial conditions.
- Our failure to retain key management and personnel could adversely affect our ability to implement our business strategy.
- We may not be able to realise returns from our investments in new aseptic packaging features and support services.
- We cannot assure you that we will be able to obtain adequate financing to fund our future capital requirements.

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- Any operational failure or disruption at our production facilities/plants could negatively affect our business.
- Defects in the titles to our leased or owned properties and bank mortgages on our owned properties in the PRC may adversely affect our right to use such properties.
- Our limited insurance coverage may not be sufficient to cover the risks associated with our operations, including product liability and labelling law risks.
- Our results of operations may experience significant fluctuations.

Risks relating to intellectual property rights

- We may not be able to adequately protect our intellectual property rights and business know-how.
- We have been, and in the future may be from time to time, subject to claims of intellectual property rights infringement.
- If we are unable to successfully defend against pending or future patent litigation by Tetra Pak, we may be required to pay damages, discontinue sales of certain of our products in Germany or elsewhere, or revert to a previously-used production method that could result in additional costs to our Company and could negatively impact our sales.
- The development of intellectual property regulations in the PRC may result in more frequent litigation from competitors which may in turn lead to increased costs in the processes and procedures followed by the Company to ensure it does not infringe third party intellectual property while maintaining compatibility with standard roll-fed filling machines.
- We may not be able to continue to use certain trademarks owned by Tralin Paper and our plans to introduce new brands may not succeed on time or at all.
- We rely on Tralin Paper to honour its obligations under various agreements with us.

Risks relating to the industry in which we operate

- We are susceptible to risks faced by our customers, dairy and NCS D producers.
- Sales of aseptic packs are subject to seasonality.

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- We may fail to anticipate and react to customers’ demand as well as changes in consumer demand and preferences, consumption patterns and packaging trends.
- We may fail to compete with producers of alternative packaging formats and technology, particularly with regard to NCSD products.
- We may not be adequately protected by competition and anti-trust laws in regions where we operate.
- We may fail to comply with necessary regulatory requirements relating to our existing or planned production facilities.
- We face risks related to natural disasters, acts of war, political unrest, health epidemics and other outbreaks.
- The global financial markets have experienced significant deterioration and volatility recently, which have negatively impacted the global economy.

Risks relating to conducting business in the PRC

- We may be affected by product liability claims, or breaches of food safety and product quality laws.
- Changes in economic, political and social conditions and government policies in the PRC may have an adverse effect on us.
- A slow-down of the PRC economy could adversely affect our business, results of operations and growth prospects.
- Changes in existing food safety laws may cause us to incur additional costs to comply with more stringent laws and regulations, and our failure to comply with any of these developments could result in legal liabilities.
- We are subject to a wide variety of environmental regulations and we may be adversely affected by the imposition and enforcement of more stringent environmental protection laws in the PRC.
- The PRC legal system embodies uncertainties that could adversely affect our business and results of operations.
- The implementation of the newly enacted PRC tax law and its implementation regulations may significantly increase our income tax expenses.
- The implementation of PRC laws and regulations on foreign loans and direct investment to PRC entities may adversely affect our liquidity and ability to fund and expand our business.

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- The implementation of the PRC Labour Contract Law and the implementation regulation for the PRC Labour Contract Law may increase our operating expenses.
- It may be difficult to effect service of process or to enforce foreign judgments in the PRC.
- Changes in foreign exchange regulations and fluctuations in the value of the Renminbi could have an adverse effect on our financial results and our ability to distribute dividends.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

We have extracted the selected financial information presented below from our combined financial information and the notes thereto set out in the Accountant’s Report included as Appendix I to this document. Therefore, you should read the selected financial information presented below in conjunction with the Accountant’s Report, as well as the section headed “Share Capital” in this document. The financial information included in the Accountant’s Report has been prepared in accordance with IFRS.

Selected Combined Income Statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)
				(unaudited)	
Revenue	380,388	524,968	771,870	378,723	503,226
Cost of sales	<u>(288,581)</u>	<u>(390,596)</u>	<u>(503,213)</u>	<u>(246,886)</u>	<u>(337,527)</u>
Gross profit	91,807	134,372	268,657	131,837	165,699
Other income — net	13,799	13,916	3,727	2,700	2,819
Distribution costs	(19,550)	(22,211)	(39,778)	(17,270)	(24,401)
Administrative expenses	<u>(27,488)</u>	<u>(45,423)</u>	<u>(43,441)</u>	<u>(16,488)</u>	<u>(20,563)</u>
Operating profit	58,568	80,654	189,165	100,779	123,554
Finance income/(expense) — net	<u>178</u>	<u>626</u>	<u>827</u>	<u>(931)</u>	<u>409</u>
Profit before income tax	58,746	81,280	189,992	99,848	123,963
Taxation	<u>(2,688)</u>	<u>6,479</u>	<u>(25,084)</u>	<u>(12,542)</u>	<u>(14,657)</u>
Profit for the year/period	<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>
Attributable to:					
Equity holders of the Company	<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>

SUMMARY

Selected Information from Combined Balance Sheets

	As of 31 December			As of
	2007	2008	2009	30 June
	(RMB'000)	(RMB'000)	(RMB'000)	2010
				(RMB'000)
Non-current assets	310,736	306,431	503,522	535,256
Current assets	212,541	364,173	477,738	620,558
Total assets	523,277	670,604	981,260	1,155,814
Total equity	371,058	458,817	761,105	847,018
Non-current liabilities	798	10,798	94,957	81,660
Current liabilities	151,421	200,989	125,198	227,136
Total liabilities	152,219	211,787	220,155	308,796
Total equity and liabilities	523,277	670,604	981,260	1,155,814
Net current assets	61,120	163,184	352,540	393,422
Total assets less current liabilities	371,856	469,615	856,062	928,678

Selected Information from Combined Cash Flow Statements

	Year ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Net cash generated from operating activities	52,700	53,733	159,294	31,747	25,317
Net cash (used in)/generated from investing activities	(46,852)	(6,987)	(301,038)	(144,578)	520
Net cash (used in)/generated from financing activities	(14,000)	50,000	110,238	110,238	(19,984)
Net (decrease)/increase in cash and cash equivalents	(8,152)	96,746	(31,506)	(2,593)	5,853
Cash and cash equivalents at beginning of year/period	67,868	59,420	155,585	155,585	124,233
Exchange (loss)/gains on cash and cash equivalents	(296)	(581)	154	—	(407)
Cash and cash equivalents at end of the year/period	59,420	155,585	124,233	152,992	129,679

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DIVIDENDS

After completion of [●], we currently intend to pay dividends each year in the amount of no more than 30% of our profit for the year attributable to equity holders.

The timing, amount and form of future dividends, if any, will depend on, inter alia:

- our results of operations and cash flows;
- our future prospects;
- general business conditions;
- our capital requirements and surplus;
- contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to our Company;
- taxation considerations;
- possible effects on our Company’s creditworthiness;
- statutory and regulatory restrictions; and
- any other factors our Board may deem relevant.

Our Company’s ability to pay cash dividends will also depend upon the amount of distributions, if any, received by the Company from our PRC operating subsidiaries. Under PRC laws, dividends may be paid only out of distributable profits calculated according to the PRC GAAP, which differs from generally accepted accounting principles in other jurisdictions. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set below. Certain other terms are explained in the section headed “Glossary” in this document.

“AQSIQ”	中華人民共和國國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC)
“Articles of Association”	the articles of association of our Company conditionally adopted on 15 November
“associate(s)”	has the meaning ascribed thereto
“Bain Capital”	Bain Capital TP Holdings, L.P., an exempted limited partnership established in the Cayman Islands on 8 August 2006, is an investment holding company which is controlled by its general partner, Bain Capital Investors, LLC, a Delaware (USA) limited liability company. Limited partners of Bain Capital TP Holdings, L.P. include various private investment funds advised by or associated with Bain Capital Partners, LLC, a Delaware (USA) limited liability company and an investment adviser registered with the United States Securities and Exchange Commission. Investors in these private investment funds include institutional investors such as pension funds, endowments, foundations, fund of funds and financial institutions
“Beijing Greatview”	北京豐景泉林貿易有限公司 (Beijing Greatview Tralin Trading Company Limited*), a company incorporated in the PRC on 18 March 2010 and a wholly-owned subsidiary of the Company
“Beijing R&D Centre”	our research and development site located in Shunyi District, Beijing, the PRC
“Beijing Tralin”	北京泉林包裝機械有限公司(Beijing Tralin Packaging Machinery Co., Ltd.*), a company incorporated in the PRC on 21 December 2007, a wholly-owned subsidiary of the Company
“Board”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

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“BVI”	the British Virgin Islands
“B&G Family Trust”	a discretionary trust of which B&G Trustee is the trustee and the discretionary objects of which are Mr Gao, the brother of Mr Bi, and his relatives, their respective spouses and children
“B&G Trustee”	Gandia Investments (PTC) Limited, a company incorporated in the BVI on 6 July 2010 and which is owned by Equity Trust (BVI) Limited, and it is the trustee of the B&G Family Trust
“CDH”	CDH China Growth Capital Fund II, L.P., an exempted limited partnership established in the Cayman Islands on 17 March 2005, focusing on making private equity investments in China. Its general partner is CDH China Growth Capital Holdings Company Limited, a Cayman Islands exempted limited liability company. Its limited partners include institutional investors such as pension funds, endowments, foundations, funds of funds and financial institutions. It is managed by CDH Investment Advisory Private Limited, a limited liability company incorporated in Singapore
“CDH Packaging”	CDH Packaging Limited, a company incorporated in the BVI on 14 April 2005 and which is wholly-owned by CDH, and one of our substantial shareholders
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we”, “our” or “us”	Greatview Aseptic Packaging Company Limited (紛美包装有限公司) (formerly known as Greatview Aseptic Packaging Company Ltd.), an exempted company incorporated in the Cayman Islands on 29 July 2010
“Controlling Shareholder”	has the meaning ascribed to it and in the context of this document means Bain Capital
“Covenantors”	[●]
“Director(s)”	the director(s) of our Company

DEFINITIONS

“Earn Out Arrangement”	the various agreements between, amongst others, Wiseland and each of Bain Capital and CDH Packaging, where if certain financial targets are achieved, each of Bain Capital and CDH Packaging will transfer a fixed number of Hexis Ordinary Shares to Wiseland, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Investments in our Group — Earn Out Arrangement” in this document
“Euros” or “EUR”	Euros, the lawful currency of the European Union member states
“Fosing”	Fosing Limited (復昇有限公司), a company incorporated in the BVI on 13 May 2010 and which is wholly owned by the SM Trust
“Foxing”	Foxing Development Limited (福星發展有限公司), a company incorporated in the BVI on 13 May 2010 and which is wholly owned by the B&G Family Trust
“Frost & Sullivan”	Frost & Sullivan, an independent market research agency, which our Company has commissioned to conduct a market research on aseptic packaging industry for inclusion in this document
“Gaotang Factory”	our production site located in Gaotang, Shandong Province, the PRC
“Goldmap”	Goldmap Investments Limited (金圖投資有限公司), a company incorporated in the BVI on 17 May 2010 and which is wholly owned by Mr Chang
“Greatview”	Greatview Holdings Limited (豐景集團有限公司), a company incorporated in Hong Kong on 8 November 2004 and which is wholly-owned by Partner One
“Group” or “our Group”	our Company and our subsidiaries or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries and their respective predecessors, or the businesses currently operated by such subsidiaries or predecessors, as the case may be
“Helingeer Factory”	our production site located in Helingeer, Inner Mongolia, the PRC

DEFINITIONS

“Hexis”	Hexis Enterprises Limited, a company incorporated in the BVI on 21 July 2004 and the holding company of the Company prior to completion of the Reorganisation
“Hexis Ordinary Shares”	ordinary shares of US\$1.00 each in the share capital of Hexis
“Hexis Preference Shares”	Hexis Series A Preference Shares and Hexis Series B Preference Shares
“Hexis Series A Preference Shares”	Series A preference shares of US\$1.00 each in the share capital of Hexis
“Hexis Series B Preference Shares”	Series B preference shares of US\$1.00 each in the share capital of Hexis
“Hexis Shares”	Hexis Ordinary Shares and Hexis Preference Shares
“Hillma”	Hillma Global Limited (曉萬環球有限公司), a company incorporated in the BVI on 15 January 2010 and which is wholly owned by Mr Chen
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“[●]”	[●]
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	a person(s) or a company(ies) who or which is/are independent of and not connected with any director, chief executive or substantial shareholder of our Company, any of its subsidiaries or any of their respective associates
“Inner Mongolia Greatview Aseptic Packaging”	紛美包裝(內蒙古)有限公司 (Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd.*) (formerly known as 泉林包裝(內蒙古)有限責任公司 (Tralin Packaging (Inner Mongolia) Company Limited*)), a company established in the PRC on 24 October 2008 and a wholly-owned subsidiary of our Company

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“Latest Practicable Date”	[●]
“Liwei”	Liwei Holdings (PTC) Limited (力偉控股有限公司), a company incorporated in the BVI on 18 February 2010 and which is wholly owned by Mr Hong and Mr Gao each as to 50%
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Management Shareholders”	Mr Berggren, Mr Chang, Mr Chen, Mr Gao, Mr Hong and Mr Yang
“Memorandum” or “Memorandum of Associations”	the memorandum of association of the Company, conditionally adopted on 15 November 2010 by our then sole Shareholder
“Ministry of Commerce” or “MOFCOM”	中華人民共和國商務部 (Ministry of Commerce of the PRC)
“Mr Berggren”	Mr BERGGREN Peder Gustav, our International Business Director
“Mr Bi”	Mr BI Hua, Jeff (畢樺), our Chief Executive Officer and our executive Director
“Mr Chang”	Mr CHANG Fuquan (常福泉), our Chief Financial Officer and one of the joint company secretaries
“Mr Chen”	Mr CHEN Guining (陳桂寧), our Chief Technical Officer
“Mr Gao”	Mr GAO Wei (高瑋), the founder of the B&G Family Trust, and the brother of Mr Bi
“Mr Hong”	Mr HONG Gang (洪綱), our Chairman and our executive Director
“Mr Li”	Mr LI Hongfa (李洪法), the founder of Shandong Tralin Packaging and a former director of each of Shandong Tralin Packaging, Inner Mongolia Greatview Aseptic Packaging, Greatview and Hexis
“Mr Yang”	Mr YANG Jiuxian (楊久賢), our sales director
“NPC” or “National People’s Congress”	中華人民共和國全國人民代表大會 (National People’s Congress of the PRC), the national legislative body of the PRC

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“Partner One”	Partner One Enterprises Limited, a company incorporated in the BVI on 23 July 2010 and which is wholly-owned by our Company
“Parview”	Parview Development Limited, a company incorporated in the BVI on 25 May 2010 and which is wholly owned by the SM Trust
“Phanron”	Phanron Holdings Limited, a company incorporated in the BVI on 10 March 2010 and which is wholly-owned by Mr Hong
“PRC” or “China”	the People’s Republic of China, but for the purposes of this document only (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
“PRC government”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Trademarks”	a trademark registered in the PRC and six other trademarks under application by Tralin Paper in the PRC as set out in the section headed “Statutory and General Information — Intellectual property rights of our Group — Trademarks” in Appendix VI to this document
“Pre-[●] Share Option Scheme”	the pre-[●] share option scheme adopted by the Company on 15 November 2010, the principal terms of which are set forth under the section headed “Share Schemes — Pre-[●] Share Option Scheme” in Appendix VI to this document
“Reorganisation”	the corporate reorganisation of the group of companies now comprising our Group as described in the section headed “History, Reorganisation and Corporate Structure” and “Statutory and General Information” in Appendix VI to this document
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“R&D Centres”	our Beijing R&D Centre and Shanghai R&D Centre
“SAFE”	中華人民共和國國家外匯管理局 (The State Administration of Foreign Exchange of the PRC)
“SAT”	中華人民共和國國家稅務總局 (The State Administration of Taxation of the PRC)

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“Schwartz”	J. Schwartz Ltd., a company incorporated in the BVI on 5 January 2009 and which is wholly owned by Mr Berggren
“SFC”	the Securities and Futures Commission of Hong Kong
“Shandong Tralin Packaging”	山東泉林包裝有限公司 (Shandong Tralin Packaging Co., Ltd.*) (formerly known as 高唐縣泉林包裝彩印有限責任公司 (Gaotang Tralin Packaging Colour Printing Co., Ltd.*)), a company established in the PRC on 28 December 2001 and a wholly-owned subsidiary of our Company
“Shandong Tralin Packaging, Beijing Branch”	山東泉林包裝有限公司北京銷售分公司 (Shandong Tralin Packaging Co., Ltd., Beijing Sales Branch*), a branch of Shandong Tralin Packaging established in the PRC on 24 July 2003
“Shanghai R&D Centre”	our research and development site located in Minhang District, Shanghai
“Shares”	the ordinary shares in the share capital of our Company with a nominal value of HK\$0.01 each
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 15 November 2010, the principal terms of which are set forth under the section headed “Share Schemes — Share Option Scheme” in Appendix VI to this document
“Shareholder(s)”	holder(s) of the Share(s)
“SM Trust”	two discretionary trusts of which SM Trustee is the trustee and the discretionary objects of which are members of senior management of our Group and their respective spouses and children
“SM Trustee”	Sino Standard Holdings (PTC) Limited, a company incorporated in the BVI on 15 July 2010 and which is owned by Equity Trust (BVI) Limited, and it is the trustee of the SM Trust
“State Council”	中華人民共和國國務院 (State Council of the PRC)
“Stellar”	Stellar Asia Holdings Limited, a company incorporated in the BVI on 21 July 2004, and which was wholly-owned by Mr Li as of 18 December 2009
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance

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“substantial shareholder”	has the meaning ascribed to it
“Swiss Francs” or “CHF”	Swiss Francs, the lawful currency of Switzerland and Liechtenstein
“Track Record Period”	the three years ended 31 December 2009 and the six months ended 30 June 2010
“Trademark Licensing Agreement”	the trademark licensing agreement (商標使用許可合同) dated 18 July 2010 entered into between Tralin Paper and Shandong Tralin Packaging in relation to the granting of license to use the PRC Trademarks, which supersedes all previous agreements between the same parties in respect of such trademarks
“Tralin Pak”	a trading name of our Company and our Group
“Tralin Pak Europe”	Tralin Pak Europe GmbH, a company incorporated in Switzerland on 27 April 2009 and a wholly-owned subsidiary of our Company
“Tralin Paper”	山東泉林紙業有限責任公司 (Shandong Tralin Paper Co., Ltd*), a company incorporated in the PRC on 20 May 1989, a company controlled by Mr Li
“United States” or “U.S.”	The United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Wallson”	Wallson Investments Limited (和信投資有限公司), a company incorporated in the BVI on 17 May 2010 and which is wholly owned by Mr Yang
“Wiseland”	Wiseland Holdings Limited, a company incorporated in the BVI on 23 July 2004 and is owned as to 29.4% by Foxing, as to 29.4% by Phanron, as to 21.2% by Fosing and as to 4% by each of Schwartz, Goldmap, Hillma, Parview and Wallson respectively

* *for identification purpose only*

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Unless otherwise specified, translations of HK\$ into US\$, RMB into HK\$ and HK\$ into RMB in this document are based on the rates set out below (for the purpose of illustration only):

RMB1.00 : HK\$[0.85727]

US\$1.00 : RMB[6.6490]

US\$1.00 : HK\$[7.7511]

No representation is made that any amounts in RMB, HK\$ and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

We produce the predominant majority of our aseptic packs in the 250 mL “portion size”. In calculating the production and sales volume figures included in this document, we have converted the volume output of all other aseptic pack sizes into an equivalent number of 250 mL packs. The conversion methodology is based on the volume of raw materials used for the production of different sized aseptic packs. For example, 1000 mL aseptic packs require approximately 2.2x more paper than 250 mL aseptic packs. Unless otherwise stated, and except for volume figures attributed to Frost & Sullivan, all references to production and sales volume or capacity are in terms of 250 mL packs as converted using this methodology.

Certain amounts and percentage figures included in this document 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.

The English names of the PRC entities mentioned in this document are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this document which relate to our Company, our business and/or industry. They may not correspond to standard industry meanings or usages.

“aseptic”	sterile conditions, or free or freed from pathogenic micro-organisms
“aseptic packs”	reels of packaging materials for aseptic packaging of dairy products or NCSD
“BRC”	British Retail Consortium
“CAGR”	compound annual growth rate
“FSC”	Forest Stewardship Council, an independent, non-governmental, not-for-profit organisation established to promote the responsible management of the world’s forests
“GDP”	gross domestic product
“IOP”	Institute of Packaging
“ISO”	International Organisation for Standardisation
“ISO 9001”	ISO standards for quality management which are primarily concerned with what an organisation does to ensure that its products conform to customer and applicable regulatory requirements and which set requirements for what an organisation must do to manage processes influencing product quality
“ISO 14001”	ISO standards for environmental management which are primarily concerned with what an organisation does to minimise harmful effects on the environment caused by its activities and which set requirements for what an organisation must do to manage processes influencing the impact of its activities on the environment
“LPB”	liquid packaging board
“mL”	millilitre
“NCSD”	non-carbonated soft drink
“PEFC”	Programme for the Endorsement of Forest Certification, the world’s largest forest certification system
“reel”	smaller division of a roll, after slitting

GLOSSARY OF TECHNICAL TERMS

“roll”	cylindrical spool of aseptic packs, before slitting
“roll-fed”	a technique which gives the flexibility to handle high-speed and high-volume runs.
“RTD”	ready to drink
“SGS”	SGS United Kingdom Ltd Systems & Services Certification
“SFI”	The Sustainable Forestry Initiative was developed in 1995 by the American Forest & Paper Association and is comprised of management practices designed to ensure the future health and growth of forests
“sq.m”	square metre(s)
“standard roll-fed filling machines”	the industry standard roll-fed filling machines commonly used among the dairy and NCSD customers
“UHT”	ultra high temperature
“waste rate”	a measure of product compatibility calculated as the number of aseptic packs rejected by a customer’s filling machine divided by the total number of aseptic packs

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our investment and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under construction or planning;
- our financial condition and results of operations;
- our prospective financial information; and
- the industry regulatory environment as well as the industry outlook generally.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, are intended to identify these forward-looking statements.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in “Risk Factors.” Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way our Company expects, if at all.

We do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

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RISKS RELATING TO OUR BUSINESS

Tetra Pak’s dominance of the industry may limit our ability to compete effectively and affect our ability to produce aseptic packs that are compatible with the standard roll-fed filling machines.

Tetra Pak has dominated the aseptic packaging industry for many years. According to Frost & Sullivan, in 2009 Tetra Pak’s market share of the aseptic packaging market in terms of sales volume was 70.2% in the PRC and 79.7% globally. We believe that Tetra Pak’s dominant position has in the past and may in the future limit our ability to compete effectively, which could result in lower unit sales and selling prices for our aseptic packs.

Strategic actions taken by Tetra Pak to maintain its dominant market position could have an adverse effect on our business, financial condition and results of operations. Many of our customers and suppliers are also customers and suppliers of Tetra Pak. Due to Tetra Pak’s large production capacity, extensive financial resources and dominant market position, we believe Tetra Pak has stronger bargaining power and stronger purchasing power with suppliers than we do. Accordingly, any efforts by Tetra Pak to leverage its longstanding business relationships could adversely affect our relationships with these customers and suppliers.

Efforts by Tetra Pak to maintain its dominant position, particularly those related to filling machines, may adversely affect our ability to produce compatible aseptic packs. The standard roll-fed filling machines made by Tetra Pak have historically been widely used by beverage producers. Our customers place great reliance on such standard roll-fed filling machines, and our products are designed specifically to be used with these machines. As a result, it is crucial that our products be compatible with the standard roll-fed filling machines used by our customers. Should Tetra Pak alter its standard roll-fed filling machines, or launch new models, we may need to address compatibility issues. Although to date we have been able to resolve such issues swiftly, there is no guarantee that we will be able to continue to do so in the future. As the success of our business model depends largely on our customers’ confidence in our ability to provide compatible aseptic packs and support services as well as spare parts with respect to the standard roll-fed filling machines, demand for our products and services could decrease and our relationships with our customers could be harmed if incidents of product incompatibility or inadequate filling machine service were to arise. We believe that such incidents could materially and adversely affect our business, financial condition and results of operations.

If Tetra Pak engages in strategic price competition with us, our financial performance would be adversely affected.

Due to its significantly greater financial resources and dominant market position, both globally and in the PRC, any decision by Tetra Pak to engage in strategic price competition with us would adversely affect our profitability.

Our most important market is the PRC where we generated over 94.8% of our revenue in 2009. We believe that the PRC market is also an important market for Tetra Pak, which has an estimated 70.2% of the PRC aseptic packaging market by sales volume in 2009, as estimated by Frost & Sullivan. With our products and Tetra Pak’s products being very similar and many of our customers

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also using Tetra Pak as a supplier, the relative product price differential between us and Tetra Pak is a fundamental factor for our customers in considering how to allocate their product orders between Tetra Pak and us. As a result, we may be vulnerable to any strategic price-discounting that Tetra Pak may engage in, particularly where it results in the undercutting of our product prices, as we would generally be required to match such new product pricing so as to preserve our customers and market share. If Tetra Pak engages in strategic price competition with us, particularly for a prolonged period or on a PRC market-wide basis, our business, financial condition and results of operations would be materially and adversely affected.

We rely heavily on our major customers and, in particular, our top three customers.

We rely heavily on our major customers, which include leading PRC and international producers of dairy and NCSOs, with a particular reliance on our top three customers, Mengniu, Huiyuan and Yili. During the Track Record Period, sales to our top three customers have collectively accounted for approximately 44.3%, 49.0%, 67.6% and 62.9% of our revenue, respectively. As a result, it is critical for us to maintain close and mutually beneficial relationships with our major customers. Although we have increased sales volumes with our major customers over time, there can be no assurance that we can continue to do so in the future. Typically, we maintain sales agreements with our customers for a term of approximately one year. We rely instead on short term purchase orders with customers at prices agreed annually. As a result, our major customers may cancel, reduce or defer purchase orders at any time. We cannot assure you that our major customers will continue to place purchase orders with us at the same quantity and price, or at all. While we had not experienced any incidents which materially impacted our Group resulting from lapses in our customers' sales strategy implementation or frequent changes in our customers' logo and/or design during the Track Record Period, our business may be adversely impacted or disrupted by various external and internal factors in the future, such as lapses in our customers' sales strategy implementation, or frequent changes in our customers' logo and/or design that require us to adjust our aseptic pack designs. Any significant reduction in sales to our major customers, the loss of a major customer, or a significant lowering of our average sale prices to a major customer could materially and adversely affect our business, financial condition and results of operations.

We may fail to manage our rapid growth and/or implement our future expansion plans on time, within budget, or at all, or we may fail to realise the anticipated benefits from our expansion plans.

We have grown rapidly over the last few years, with our sales volume increasing by approximately 2.0 billion packs, or approximately 114.4%, to approximately 3.8 billion packs between 2007 and 2009. We intend to continue to expand the volume and variety of aseptic packs we offer and to continue to move beyond the PRC market and establish ourselves in other Asia-Pacific, European, North American and South American markets. However, our business growth could place a significant strain on our managerial, operational and financial resources.

Our business prospects depend on our ability to continue to expand our production capacity to better satisfy demand from customers that we previously were not able to fully serve. For instance, in February 2010 we completed the construction of our Helingeer Factory, and we are planning a new production facility in Germany. Details of our future expansion plans are set forth in the section

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headed “Future Plans” in this document. In addition, we may increase production capacity by acquiring other local or international competitors or by acquiring new patented technology or proprietary know-how. If we are unable to successfully expand our production capacity by augmenting existing and new production facilities, improving our operational, financial and management information systems, training and motivating our workforce or constructing new production facilities, our financial condition and results of operations may be materially and adversely affected.

Our future expansion plans are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. Such uncertainties and contingencies may include, but are not limited to:

- delays in the delivery and installation of our production equipment;
- operational difficulties resulting from technology challenges, our lack of experience in new target markets;
- labour shortages;
- raw material and other cost increases;
- any failure to secure the necessary intellectual property for our operations;
- intellectual property infringement lawsuits brought by Tetra Pak;
- any failure to comply with new laws and regulations;
- food and product safety issues; and
- delays or failures in securing the necessary governmental approvals, permits and land use rights.

In addition, managing our expansion plans will be time-consuming and may distract our management from focusing on our existing operations, which may adversely affect our ability to satisfy customer demand and maintain product quality. We cannot assure you that our management and personnel, systems, procedures and controls will be adequate to support our future expansion plans or manage rapid growth. These plans may or may not be implemented on time, within budget or at all, and may not result in the anticipated benefits even if implemented. If we fail to successfully manage our expansion plans and/or other risks related to our expansion plans, our business, financial condition and results of operations could be materially and adversely affected.

We only recently began selling our aseptic packs internationally in substantial amounts.

We only recently began selling our aseptic packs internationally in substantial amounts, with our first substantial international sales beginning in 2008. As of the Latest Practicable Date, our international markets included France, Germany and Russia, amongst other markets, and our international sales accounted for 1.3%, 3.0%, 5.2% and 7.5% of the total revenue of the Group for each of the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010. As international markets are relatively new for us, we cannot assure you that we will continue to maintain or expand our market share in these new markets. If we are not able to successfully expand into international markets, our ability to grow our business could be adversely affected. Notwithstanding that the delivery of aseptic packs is currently made according to either “free on board” (FOB) or “delivery duty unpaid” (DDU) arrangement and our reliance on our customers for compliance with the

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relevant laws and regulations in the relevant jurisdictions, our ability to expand and maintain international sales may also be adversely affected by any change in these delivery arrangements. Some of the factors that may impact our ability to initiate and maintain sales internationally include, but not limited to:

- our ability to establish relationships with customers in international markets;
- our ability to effectively establish cost-effective manufacturing facilities and support services internationally;
- our ability to provide related marketing and after-sales services to international customers;
- our ability to comply with quality standards in international markets as we only guarantee to our international customers that our products comply with the Product Quality Law of the PRC;
- our ability to produce types of aseptic packs that are popular in specific international markets;
- our ability to comply with international laws, which include amended and/or newly enacted international laws;
- our ability to secure the necessary intellectual property for our operations;
- our ability to successfully defend against pending or future patent or other intellectual property related litigation;
- other costs related to doing business in international markets, for example, costs relating to product liability insurance as well as recycling in Europe;
- currency fluctuations; and
- political and economic conditions.

If we are unable to continue our growth in newly developed markets for any reasons, our financial conditions and results of operations could be adversely affected.

Our expansion plans in Europe and other countries may increase the likelihood of additional infringement lawsuits from our competitors.

As described below in the section headed “Risk Factors - Risks relating to intellectual property rights”, we are currently the subject of a lawsuit in Germany brought by Tetra Pak relating to alleged infringement of one claim of a European patent related to aseptic packaging material.

We intend to continue to move beyond the PRC market and establish ourselves in other European, Asia-Pacific, North American and South American markets. Due to the competitive nature of our industry, our expansion into new countries may increase the likelihood of additional infringement lawsuits from our competitors in the future. Whether or not an infringement or misappropriation claim is valid, has merits or is successful, it could adversely affect our business by involving us in costly and time-consuming litigation that may materially and adversely affect our business, financial condition and results of operations.

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Our failure to compete with existing domestic and international competitors and/or new entrants to the aseptic packaging market could lead to a loss of sales or decline in our profitability.

In addition to competition with Tetra Pak, we face competition from other existing domestic and international competitors, as well as from new entrants to the aseptic packaging industry with respect to production capacity, quality, price, support services, brand recognition, and marketing. While we are the leading alternative supplier of aseptic packs in the PRC, ranking second in 2009 behind Tetra Pak in terms of sales volume as estimated by Frost & Sullivan, our other competitors in the PRC are striving to improve the quality of their products, upgrade their technology, and expand their production capacities. In our international markets, competition is intense among international aseptic packaging suppliers, and consequently we may face difficulties in attracting new customers and penetrating new markets.

We may also face competition from new entrants to the aseptic packaging industry. Several international packaging companies have already established new operating facilities in the PRC, and others may do so in the future. These foreign-invested companies potentially have better access to global financial resources and may possess more sophisticated technologies and more advanced management structures than our Group. If we are unable to maintain our competitiveness, for example by failing to supply sufficient quantity, failing to increase our production capacity, failing to price competitively, failing to maintain sufficient quality levels, or failing to improve our aseptic packaging features and support services, we could experience a decrease in sales and a decline in profitability. In addition, senior members of our management or industry veterans from other competitors may depart from their existing positions and set up new rival companies that compete with us. As such ex-employees or industry veterans would have hands-on experience in the development and production of aseptic packs and substantial contacts with key suppliers and customers, any competing business they establish may gain market share from us or otherwise materially and adversely affect our market position, business, financial condition and results of operation.

Shortages of raw materials or any increase in the prices of our raw materials that we are unable to pass on to our customers could negatively impact our business and financial conditions

Our production requires large quantities of raw materials, primarily LPB, polyethylene, aluminium foil and water-based inks. We have been primarily sourcing LPB, polyethylene, aluminium foil and water-based inks from a limited number of suppliers. Although we have not experienced a material shortage of any of our raw materials in the past, our suppliers may encounter shortages or disruptions, or otherwise fail to deliver raw materials to us within the required timeframe and this has occurred with LPB suppliers in the past. As such, there is no assurance that we would be able to secure alternative supplies at commercially acceptable terms, or at all, to meet our production requirements. This risk is particularly high with respect to our LPB suppliers, as there are only approximately ten such suppliers globally and some are already supplying our competitors on an exclusive basis.

We have in the past encountered and may in the future continue to encounter fluctuations in the prices of our raw materials, especially LPB and polyethylene, which may increase our cost of sales and reduce our gross profit and gross profit margin. Since LPB made up 37.8%, 40.7%, 44.2% and 43.4% of our cost of production during the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively, any increase in the price of LPB could have a material

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adverse effect on our profitability. A similar adverse effect on our profitability may also result from increases in the price of polyethylene, which made up 20.9%, 22.5%, 15.1% and 20.0% of our cost of production during the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. For further information on the volatility of our raw material supplies, please see “Financial Information — Factors Affecting Results of Operations of our Group — Availability and cost of raw materials” in this document.

In addition, as pricing with our customers is generally renegotiated each year, the price to which we commit at the beginning of the year also determines our ability to pass on increases in raw material costs. We cannot assure you that we would be able to pass on any raw material cost increases to our customers. Due to the specialised nature of the polyethylene we use and the current lack of a suitable polyethylene market for effective hedging arrangements in the PRC, we currently do not enter into hedging arrangements. Should supplies of any of our raw materials become scarce, or prices increase significantly or remain high for a prolonged period, our business, financial condition and results of operations could be materially and adversely affected our business, financial condition and results of operations.

Our failure to retain key management and personnel could adversely affect our ability to implement our business strategy.

Our management team has extensive operational and industry experience. We believe that our future success depends heavily on our experienced and knowledgeable management team. While we have established long-term employment relationships with our senior management and key operational staff, we cannot assure you that any of them will continue in their present capacity with our Group and for any particular period of time. The loss of services of any member of our senior management team or key staff that is not followed by an immediate and appropriate replacement could have an adverse effect on our ability to implement our business strategy. Furthermore, it may also be very difficult for the Group to locate and hire suitable replacements for our senior management team with extensive industry experience. This in turn, could endanger our operational stability and hinder our business expansion.

We may not be able to realise returns from our investments in new aseptic packaging features and support services.

We may not be able to realise returns from our investments in developing new aseptic packaging features and support services. With our R&D Centres, we continue to invest significant financial and human resources in developing new aseptic packaging features as well as augmenting our onsite technical support services. We are also focusing significant efforts on improving our current line of aseptic packaging features. Over the Track Record Period, we spent approximately RMB24.0 million on research and development which primarily related to enhancing the features of our aseptic packs as well as our onsite technical support services including filling machine research and development. We cannot assure you that our substantial investment of financial resources, manpower and time in these areas will result in consumer demand or market share gain, if any, to cause such investments to be strategically worthwhile. Our failure to recover our costs on such developments could materially and adversely affect our business, financial condition and results of operations.

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We cannot assure you that we will be able to obtain adequate financing to fund our future capital requirements.

We expect to finance our estimated capital expenditures through a combination of equity and, if necessary, debt financing. However, were the PRC government to tighten credit or the global financial markets to experience renewed disruptions causing a widening in credit spreads, if necessary, we may be unable to secure adequate or affordable debt financing, and the financing costs on our existing indebtedness could significantly increase. In addition, future debt financings may require us to enter into financial covenants which could restrict our operations. Future equity financings could lead to dilution of your share holding. As a result, our inability to finance our planned capital expenditures could materially and adversely affect our business, financial condition and results of operations.

Any operational failure or disruption at our production facilities could negatively affect our business.

A disruption to or shortage of water, electricity, or gas may adversely affect our production output. Historically, we have experienced interruption in electricity supply during the summer months. Electricity shortages have caused minor disruptions to our production plants in the PRC and may continue to do so in the future. Our reliance on electricity from local utilities will further increase as we expand our production capacity, especially with the operation of our Helingeer Factory. A significant disruption to or shortage of utilities may prevent us from manufacturing sufficient products during the affected period and may materially and adversely affect our business, financial condition and results of operations.

Our ability to adequately preserve our inventory of raw materials and to produce, distribute and sell our aseptic packs is critical to our success. Were all or a portion of the raw materials we hold in inventory to be damaged, such as from light, moisture or dust exposure, our ability to produce, distribute or sell our aseptic packs could be partially or completely affected.

In addition, we may experience difficulties and delays inherent in the production and sale of our products owing to a variety of factors, including:

- accidents resulting in a temporary suspension of our production facilities;
- failure to obtain or protect or loss of our patents or other intellectual property rights, or any limitations imposed on our use of the same;
- our failure, or the failure of any of our suppliers, to comply with applicable regulations and quality assurance guidelines that could lead to temporary product seizure or recalls, production shutdowns, production delays and product shortages; and
- other production or distribution problems, including limitations to manufacturing capability due to the imposition of new regulatory requirements, changes in the types of products produced or physical limitations, including size and weight of aseptic packs.

Our failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events were they to occur, particularly when a product is sourced from a single location, could materially and adversely affect our business, financial condition and results of operations.

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Defects in the titles to our leased properties and bank mortgages on our owned properties in the PRC may adversely affect our right to use such properties.

In relation to each of the leased properties occupied by the Group marked 3, 4 and 5 under the section headed “Property Valuation — Group II — Property interests leased and occupied by the Group in the PRC” in Appendix IV to this document, the relevant lessor has not provided us with valid building ownership certificates for these leased properties or has not completed required registration of the relevant lease agreement. As advised by our PRC legal adviser, Commerce & Finance Law Offices, while there should not be any penalties to us, in the event that third parties who purport to be the legal property owners challenge our right to lease these properties, or in the event the uses of such leased properties are found to be illegal or unauthorised, the relevant property lease agreements may become invalid or unenforceable against such third parties, as a result of which, we may not be able to continue to use and occupy such leased properties and may also incur relocation costs for moving to alternative sites.

We cannot assure you that we will be able to effectively mitigate the possible adverse effects that may be caused by loss of such leased properties. The potential loss of such properties may cause interruptions to our business and day-to-day operations. Consequently, we may incur extra costs to find property or land as replacements, and our financial condition and results of operations may be adversely affected.

Furthermore, the land use rights of a parcel of land with a site area of approximately 51,744.6 sq.m. and four buildings with a total gross floor area of approximately 13,287.13 sq.m. in the property marked 1 under the section headed “Property Valuation — Group I — Property interests held and occupied by the Group in the PRC” in Appendix IV to this document is subject to mortgage in favour of a bank. Any transfer of such charged property is subject to the prior written consent of the bank and should we fail to obtain such consent, we will lose the ability to freely transfer or otherwise disposed of such charged properties and our ability to raise financings from our owned property may also be adversely affected.

Our limited insurance coverage may not be sufficient to cover the risks associated with our operations, including product liability and labelling law risks.

We maintain insurance policies to cover different aspects of our business, including but not limited to property insurance, directors and officers liability insurance, equipment damage insurance and product liability insurance. However, unforeseen situations or events which are not covered by these insurance policies may arise.

Our product liability insurance may not be sufficient to cover the related risks. Despite the measures we have in place to control the quality of our products, contamination of our customers’ products may occur during the transportation, production, distribution and sales processes due to reasons unknown to us or out of our control. Furthermore, while we are not involved in the development and governmental approval of the labelling that our customers give to us to print on their aseptic packages, any instance of mislabelling that is found to violate applicable labelling laws could lead to fines or other governmental action as well as lost business. The occurrence of such problems may result in product recalls which could cause serious damage to our reputation and brand, as well

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as loss of revenue. We cannot assure you that such incidents will not occur in the future or that our liabilities arising from product liability or labelling law claims would be sufficiently covered by our product liability insurance. In addition, adverse publicity about these types of concerns relating to our brand or to the industry as a whole, whether legitimate or not, may discourage consumers from purchasing our products. If consumers lose confidence in our brand, we could experience long term declines in our sales, resulting in losses which we may not be able to recover. While we have not been subject to any material product liability claims during the Track Record Period, we cannot guarantee that we will not be subject to product liability or labelling law claims in the future. If we are subject to such product liability or labelling law claims, our business, financial condition and results of operations could be materially adversely affected. Further, we do not carry any business interruption or environmental liability insurance. Therefore, we may have to pay out of our resources for financial and other losses, damages and liabilities that are not covered by our insurances. Potential losses or payments that are not fully covered or are only partly covered by our insurances may have a material adverse effect on our business, financial condition and results of operations.

Our results of operations may experience significant fluctuations.

Our operating results may fluctuate significantly, depending upon many factors including, but not limited to, the following:

- our customers’ sales outlook, purchasing and production patterns and inventory adjustments;
- the effectiveness with which we manage our manufacturing processes, control our costs and integrate any potential future business ventures or plans;
- our ability to make optimal use of our available manufacturing capacity;
- changes in the cost and availability of labour and other inputs (such as electricity), which often occur in the manufacturing industry and which affect our margins and ability to meet delivery schedules;
- our ability to manage the timing of our raw material purchases, so that raw materials are available when needed for production, while avoiding the risks of accumulating inventory in excess of immediate production needs; and
- local conditions and events that may affect the production our volumes, such as labour conditions, political instability and local holidays.

Our operating results may fluctuate from period to period, due to the above mentioned factors and other risks discussed in this section, many of which are beyond our control.

RISKS RELATING TO INTELLECTUAL PROPERTY RIGHTS

We may not be able adequately to protect our intellectual property rights and business know-how.

Our intellectual property rights and business know-how are of fundamental importance to our business. These intellectual property rights and business know-how cover design and production processes with respect to our aseptic packaging materials. They also cover our innovations with

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respect to our aseptic packaging features and services. We have not made patent applications regarding our production techniques, as we understand that many stages of our production processes and some elements of our aseptic packs involve know-how, technology or data that are not protectable by patents.

To the extent that protection of the relevant intellectual properties is afforded under applicable laws and regulations, we rely on such laws and regulations as well as confidentiality agreements with some of our key employees to establish and protect our proprietary production techniques. To enforce our intellectual property rights, we may have to divert substantial expenses and other resources, which may interrupt or otherwise negatively impact our business and development. If we fail to enforce our intellectual property rights or confidentiality agreements or are otherwise unsuccessful in enforcement proceedings we initiate against infringing parties, a competitor may capitalise on our know-how to gain a competitive advantage against us, including by making significant progress in closing the gap in technology or know-how that currently exists between us and our smaller competitors. In addition, in the event of such an enforcement failure, we may lose the right to protect and/or exclusively use certain of our key intellectual property. Similarly, if we fail to effectively observe provisions of agreements concerning third party intellectual property or proprietary information and disclose such information to other parties, we may ourselves be exposed to costly and time-consuming legal proceedings and substantial compensation claims.

We operate in some jurisdictions which offer limited or no intellectual property protection. While we are not aware of any third party’s infringement of our intellectual property rights (registered or in application) during the Track Record Period, any infringement of our intellectual property rights may adversely affect our profitability, market share and prospects.

If we fail to effectively protect our production processes and techniques from inappropriate or unauthorised use by third-parties, or if we fail to protect certain third-party owned intellectual property that we are contractually bound to protect, our reputation could suffer, and our business, financial condition and results of operations could be materially and adversely affected.

We have been, and in the future may from time to time be, subject to claims of intellectual property rights infringement.

Participants in the aseptic packaging industry seek to protect various technologies through a wide array of patents and other intellectual property rights. At times there is intellectual property litigation involving patents, copyrights, trademarks, trade secrets and other intellectual property subject matter in our industry. We have received and may from time to time receive from third parties, assertions and claims that our products, designs and processes infringe upon patents or other intellectual property rights of others. While we are currently the subject of a lawsuit in Germany brought by Tetra Pak relating to an alleged infringement of one claim of a European patent related to aseptic packaging material, we believe that to date, we have not infringed upon, and our employees have not breached confidentiality or other agreements relating to third party intellectual property rights and that claims filed against us in the past have been without merit. Due to the competitive nature of our industry, our need to maintain compatibility with standard roll-fed filling machines manufactured by third parties,

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and the complexity of our manufacturing process and filling machines, including their components and spare parts, we may face claims for past or future infringement of intellectual property. Furthermore, a competitor may be the first to register intellectual property rights to certain technological improvements that we have independently developed but not used or disclosed.

In the event a claim of infringement against us is successful, it could require us to pay damages, past royalties, incur the cost of designing possible solutions to work around the patent claim, cease the use of certain technology or intellectual property and/or the production or sale of certain products, and/or enter into costly licensing arrangements. There can be no assurance that we will be able to obtain any such licensing arrangement on a timely basis, on commercially reasonable terms, or at all. Any or all of the above could materially and adversely affect our business, financial condition and results of operations.

Some of our competitors have, or are affiliated with companies having substantially greater resources than our Company has, and these competitors may be able to sustain the costs of complex intellectual property infringement litigation to a greater degree and for longer periods of time than we can. As intellectual property regulations in the PRC develop, litigation from competitors may become more frequent. Such litigations may hinder our ability to maintain compatibility with standard roll-fed filing machines manufactured by third parties. Whether or not an infringement or misappropriation claim is valid, has merits or is successful, it could adversely affect our business by involving us in costly and time-consuming litigation and by diverting management resources and attention from our business which could, among other things, result in our customers or potential customers deferring or limiting their orders until such litigation is resolved, any of which could have a material adverse effect on our business, financial conditions and results of operations.

If we are unable to successfully defend against pending or future patent litigation by Tetra Pak, we may be required to pay damages, discontinue sales of certain of our products in Germany or elsewhere, or revert to a previously-used production method that could result in additional costs to our Company and could negatively impact our sales.

We are currently the subject of a lawsuit in Germany brought by Tetra Pak relating to an alleged infringement of one claim of a European patent related to aseptic packaging material. On 23 July 2010, Tetra Laval Holdings & Finance S.A., Pully, Switzerland filed a complaint against named defendants Tralin Pak Europe and Tralin Packaging Company Limited in the Düsseldorf district court (*Landgericht Düsseldorf*) in Germany alleging patent infringement and seeking injunctive relief, information and accounting, and damages. See the section headed “Business — Intellectual Property Rights — Litigation” in this document for further details. While we intend to defend such claim vigorously and have challenged the validity of the patent by initiating formal opposition proceedings against it, a protracted litigation is costly and time-consuming and could divert management resources and attention from our business. Furthermore, Tetra Pak has substantially greater resources than our Company and may file claims or lawsuits against us in the future in Europe or elsewhere, including in the PRC with regard to a patent corresponding to that at issue in the German litigation described above, and may be able to sustain the costs of complex patent litigation to a greater degree and for longer periods of time than we can.

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If Tetra Pak were to succeed on this patent infringement claim in Germany or any future claims elsewhere, we may be ordered to pay damages for past infringement and/or discontinue sales of certain of our products in Germany or in other countries. In addition, as the patent at issue in the German litigation is a European patent, any judgment against us in this case may be used by Tetra Pak as a reference case for filing additional infringement lawsuits throughout the European Union or other jurisdictions. Furthermore, our expansion plans in Europe and other jurisdictions may increase the likelihood of additional infringement lawsuits from Tetra Pak in the future. Notwithstanding the fact that the method for calculating damages for patent infringement is substantially the same across Europe (i.e. the same three methods of measuring royalties, the amount of unjust profits received by an infringing party and/or damages suffered by the patent holder are used), any new lawsuit initiated by Tetra Pak in Europe claiming infringement of the European patent at issue in the German litigation may subject us to further damage claims. The occurrence of any of these events could have a material adverse effect on our business and operating results and, in any event, the cost of litigation could be substantial.

As to future sales, if Tetra Pak were to succeed on this patent infringement claim in Germany or any future claims elsewhere, we may have to revert to a previously-used production method for the products we sell to Germany, Europe or other countries. While we believe this previously-used production method would not have a material adverse effect on our business as we would not have to change our current production materials or purchase new equipment, or have a material adverse effect on our customers’ production costs and efficiencies as it only requires a change in the formulation of a raw material in our production process, it may require deployment of additional service engineers to our customers’ production sites to help our customers adjust to the packaging materials. As such, the previously-used production method could result in additional costs to our Company in the estimated amount of approximately RMB15 million and could negatively impact our sales.

Although Tetra Pak does not specify an amount of damages in its complaint in the German litigation described above, if we were to fail to defend against the litigation, we could potentially face maximum damage and cost reimbursement claims by Tetra Pak of approximately RMB20 million and approximately EUR140,000, respectively, as estimated by Freshfields Bruckhaus Deringer LLP, our legal adviser in such litigation. In the PRC, in the event that (i) Tetra Pak were to launch a similar patent infringement claim against us in the PRC with regard to a patent corresponding to that at issue in the German litigation described above, (ii) we were unable to invalidate such corresponding patent in the PRC, and (iii) we were unable to defend against such a claim in the PRC which is considered to be unlikely as advised by An, Tian, Zhang & Partners, our intellectual property advisers in the PRC, the maximum statutory damages award in the PRC would be RMB1.0 million. Notwithstanding such estimations of damages and claims by our legal advisers, litigations inherently involve uncertainties and we cannot provide assurance as to the final outcome of any litigation including those relating to final damages or legal costs reimbursements awarded by the Court, if any.

While we are confident that we can mount a successful defence in the German litigation, in the event of a decision adverse to us in the German litigation or in any potential patent infringement proceeding, any related costs or losses will be borne entirely by our Company. No indemnity will be given by our Controlling Shareholder or any other shareholders to our Company against any cost or loss arising from the German litigation or any actual or possible patent infringement proceedings in relation to the current production method that might affect our Group.

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The development of intellectual property regulations in the PRC may result in more frequent litigation from competitors which may in turn lead to increased costs in the processes and procedures followed by the Company to ensure it does not infringe third party intellectual property while maintaining compatibility with standard roll-fed filling machines.

Intellectual property laws and regulations in the PRC may develop in a way that increases the attractiveness of intellectual property litigation in the PRC. For example, there may be changes to discovery procedures that improve a claimant’s ability to obtain actual rather than statutory damages, or an increase in the maximum statutory damage award. As a result, PRC intellectual property litigation may become more attractive. Such a development in PRC intellectual property regulations could result in more frequent litigation from competitors, including Tetra Pak. Whether or not any individual infringement claim is valid, has merits or is successful, the increased risk of litigation generally may lead to increased costs in the processes and procedures followed by the company to ensure that it does not infringe the intellectual property of Tetra Pak or other competitors in the design of the Company’s workarounds. This development may also adversely affect our business in other ways by involving us in costly and time-consuming litigation that may materially and adversely affect our business, financial condition and results of operations.

We may not be able to continue to use certain trademarks owned by Tralin Paper and our plans to introduce new brands may not succeed on time or at all.

We have been granted an exclusive license of the right to use the PRC Trademarks under the Trademark Licensing Agreement made between Tralin Paper and Shandong Tralin Packaging. Under the Trademark Licensing Agreement, Shandong Tralin Packaging has also been given the right to sub-license the PRC Trademarks to various members of our Group. However, Tralin Paper is not precluded from using the PRC Trademarks. If there is any improper use of the PRC Trademarks by Tralin Paper resulting in negative publicity or customer confusion, our image and reputation may be adversely affected and we may lose our existing and prospective customers and suffer from loss of business or potential business opportunities. Although our Company has commenced the process of introducing new brands and as part of such process has, as at the Latest Practicable Date, made 101 trademark registration applications in Hong Kong and in the PRC as set out in the section headed “Statutory and General Information — Intellectual property right of the Group — Trademarks” in Appendix VI to this document, there is no guarantee that pending applications for such new trademarks or the scope of such new trademark applications will eventually be granted. Despite our effort, we may ultimately be unsuccessful in applying for such new trademarks and protecting our intellectual property rights used in connection with our products and services. In addition, our introduction of new brands may not gain immediate success, if at all, due to various reasons, including but not limited to customers’ failing to recognise our new brand names. If we are unable to continue to use the PRC Trademarks or if we fail to successfully implement and manage our introduction of new brands, our business, financial conditions and results of operations could be materially and adversely affected.

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We rely on Tralin Paper to honour its obligations under various agreements with us.

We have entered into the Trademark Licensing Agreement with Tralin Paper, which contains a license to use the PRC Trademarks. We have also entered into a utilities agreement with Tralin Paper in respect of the supply of various utilities to our Gaotang Factory. Should Tralin Paper fail to honour its obligations under either of these agreements, our business and production of aseptic packs could be materially and adversely affected.

The Trademark Licensing Agreement, which was made between Tralin Paper and Shandong Tralin Packaging, grants Shandong Tralin Packaging license to use the PRC Trademarks for a term of five years. Under the Trademark Licensing Agreement, Tralin Paper is precluded from further licensing the PRC Trademarks to any other third parties except for Shandong Tralin Packaging, but Tralin Paper is not restricted from using such trademarks or granting licenses to its subsidiaries to use the PRC Trademarks. This license has been granted free of royalty for the first four years from 18 July 2010, the date of signing, and at a royalty to be agreed between Tralin Paper and Shandong Tralin Packaging for the 5th year from the signing. In accordance with and following the signing of the Trademark Licensing Agreement, Shandong Tralin Packaging granted each of the Company, Inner Mongolia Greatview Aseptic Packaging, Beijing Tralin, Beijing Greatview and Tralin Pak Europe a sub-license to use the PRC Trademarks pursuant to five trademark sub-licensing agreements. In the event that Tralin Paper withdraws the license or otherwise dishonours its obligations under the Trademark Licensing Agreement, we may incur extra costs including litigation costs should we become involved in litigation with Tralin Paper. In such case, our reputation may be damaged. Such litigation or other proceedings and their consequences could divert management’s attention from our business, all of which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we have entered into an integrated service agreement with Tralin Paper in May 2005 in respect of the provision of various utilities, namely, water, electricity, steam and natural gas by Tralin Paper to the first production line of our Gaotang Factory, which is managed by Shandong Tralin Packaging. Since the entering into this agreement, in each of the three years ended 31 December 2009 we have signed further utilities agreements with Tralin Paper to confirm the prices of the utilities supplied. Sufficient supply of utilities requirements provided through shared utility arrangements at a reasonable cost is vital and essential to our production. As a result, should Tralin Paper fail to honour its obligations under such agreement by failing to supply us with our requirements at the agreed costs, we may incur substantial additional costs. In addition, the first production line at our Gaotang Factory, which represented the majority of our Group’s total production capacity as of the Latest Practicable Date, could be severely disrupted or completely suspended. We may also incur substantial expenses in procuring alternative utility supplies and significant renovation costs to revamp the utility system of the first production line of our Gaotang Factory to facilitate independent utility supplies from local utility suppliers or other available sources.

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We are susceptible to risks faced by our customers, dairy and NCSD producers.

We are subject to risks faced by our customers, dairy and NCSD producers. Due to changes in health trends and consumer preferences, consumers are increasingly aware of the health benefits and risks associated with dairy and NCSDs. Incidents in the PRC such as the melamine contamination in September 2008 have had a material and long-lasting negative impact on the PRC dairy industry and have undermined consumers’ confidence in dairy products. In the event of a similar contamination or quality breach, consumers may reduce their consumption of dairy products or may even refrain from consuming such products at all.

In addition, a major outbreak of cattle-related disease or illness in the PRC or in international markets where our customers produce and distribute dairy products could result in the widespread destruction of cattle and consequently, a significant shortfall in the supply of raw milk to certain markets. Such a shortfall could disrupt our customers’ production and lead to a decrease in demand for our aseptic packs, which in turn could materially and adversely affect our business and financial results. Additionally, such outbreaks could lead to a loss of consumer confidence in our customers’ dairy products. The impact on our business from such an outbreak could be long-lasting.

Production by many of our NCSD customers is affected by the supply of juice concentrates and purees, which in turn depends on the stable supply of fresh fruits and vegetables. Any natural disasters such as droughts, floods, earthquakes and hurricanes could lead to a disruption of fresh fruit or vegetable supplies and higher juice concentrate and puree prices. In such cases, our NCSD customers’ production levels could be materially and adversely affected, resulting in a significant reduction or a stoppage of purchase orders of our aseptic packs and support services.

As we currently provide our aseptic packs to leading dairy and NCSD producers in the PRC and internationally, any decrease in demand for dairy or NCSD products, or any related shortfall in supply of cattle and raw milk as a result of a dairy recall or major outbreak of cattle-related disease or illness or decrease in supply of fresh fruits and vegetables due to natural disasters could result in a significant and long-lasting decline in the demand for our aseptic packs and support services, which could materially and adversely affect our business, financial condition and results of operations.

Sales of aseptic packs are subject to seasonality.

Sales of our aseptic packs are affected by seasonality and unusual weather conditions. Our operations generally experience higher sales volumes in the second and third quarters due to increased consumer demand for dairy and NCSDs. Sales can also fluctuate with the timing of launches for new dairy or NCSD products, and can increase during summer weather when demand for NCSDs increases. During low seasons, we may not be able to optimise capacity utilisation rates, and conversely, during high seasons we may not have sufficient production capacity to meet increased demand. Unusual weather conditions may also cause our customers’ production to decrease significantly. For example, many of our NCSD customers depend on the supply of fresh fruit, which may be disrupted by abnormal weather such as drought. Accordingly, our sales are subject to seasonality and weather which could have a material adverse effect on our business, financial condition and results of operations.

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We may fail to anticipate and react to customers’ demand as well as changes in consumer demand and preferences, consumption patterns and packaging trends.

Our success depends on our ability to accurately anticipate, identify, interpret and react to changing consumer demand and preferences, consumption patterns and packaging trends. Our customers’ demand for our aseptic packs is heavily influenced by the tastes and preferences of consumers of dairy and NCSDs. Moreover, consumers’ preferences for packaging formats may change over time given the wide range of packs available in different sizes. Any changes in consumer preferences and packaging trends could lead to a subsequent change in our customers’ demand and/or product specifications for our aseptic packs. This may require us to adjust our production operations and capacity to meet their requests and may require a substantial capital investment. We adjust our production capacity from time to time in anticipation of changes in customer demand. However, we may fail to correctly anticipate changes in demand and, consequently, may not be able to revamp our production operations and capacity in a timely manner, which could harm our competitive positioning and result in a loss of market share. As a result, we may suffer a loss of sales and income, which could have a material adverse effect on our business, financial condition and results of operations.

We may fail to compete with producers of alternative packaging formats and technology, particularly with regard to NCSD products.

We face competition from existing or future alternative packaging formats, such as aseptic High Density Polyethylene (“HDPE”) or Polyethylene Terephthalate (“PET”), that can also be used to hold perishable beverages such as dairy and NCSD products. While such alternative packaging formats have not yet established a foothold in the dairy market as of to date, they may serve as a credible packaging alternative for dairy products in the future. Although it is generally believed that HDPE and PET packaging formats are currently more commonly used for NCSD products than for dairy products, breakthroughs in technology or changes in consumer preferences could impact their penetration in the dairy market.

While certain producers prefer aseptic paper packaging over alternative packaging formats, there is no guarantee that this will continue to be the case in the future. In view of the growing number of producers of alternative packaging formats, we expect competition to persist and potentially intensify. If a superior alternative to aseptic paper packaging emerges, and if we are unable to compete successfully with such alternative packaging producers, our business, financial condition and results of operations may be materially and adversely affected.

We may not be adequately protected by competition and anti-trust laws in regions where we operate.

We rely on protections afforded under competition and anti-trust laws adopted in most jurisdictions where we operate. Nevertheless, the extent of protection offered by competition laws varies in different jurisdictions. In some regions where we have operation or plan to launch operations, competition laws and associated regulator oversight may not be well-developed, which may result in dominant market players engaging in excessive and predatory pricing strategies or sales bundling strategies. If such anti-competitive market conduct were to be adopted by market players with a dominant position, it would likely constitute a breach of competition law in the jurisdictions where

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we operate. For example, such conduct is prohibited under Article 17 of the Antimonopoly Law of the PRC and Article 102 of the Treaty on the Functioning of the European Union. However, we cannot assure you that these regulatory prohibitions would effectively prevent such anti-competitive behavior. As we depend on the effective enforcement of competition law in order to sustain our commercial success, any governmental failure to enforce the relevant competition laws may materially and adversely affect our business, financial conditions and results of operations.

We may fail to comply with necessary regulatory requirements relating to our existing or planned production facilities.

We are required to maintain certain licenses, permits and certifications relating to the operations of our business. We are also required to comply with the applicable regulations in relation to our business operations. Accordingly, the relevant regulatory authorities may conduct regular inspections to ascertain our compliance with applicable regulations. In respect of quality control, we have achieved certain certifications, such as ISO 9001 and ISO 14001, which are subject to periodic review. Failure to pass these inspections, or failure to renew our licenses, permits and certifications on quality control, could disrupt our operations and inhibit us from meeting our customers’ demands. This may in turn materially and adversely affect our business, financial condition and results of operations.

We face risks related to natural disasters, acts of war, political unrest, health epidemics and other outbreaks.

Natural disasters, acts of war, political unrest, health epidemics and other outbreaks beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are particularly susceptible to earthquakes, floods and sandstorms. Should any of these unpredictable events take place in regions where our production facilities are located and cause direct damage to our production facilities, our business, financial condition and results of operations could be adversely affected.

Historical outbreaks of diseases and viruses such as H1N1 influenza (swine flu), H5N1 influenza (avian flu) and severe acute respiratory syndrome (SARS) have at times led the World Health Organisation to advise the public against non-essential travel to the affected Asian countries, including the PRC. The level of economic activity in these affected regions was significantly reduced during that period.

We believe that a recurrent outbreak of SARS or avian flu, or an increased perceived threat from swine flu or another severe communicable disease in the PRC, could lead to material disruptions to our operations and business, including but not limited to impacting customer demand, the availability of raw materials from key suppliers and economic growth in the PRC and its surrounding regions, which could have a material adverse effect on our Group’s operations, financial conditions and business.

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Our business and production are also subject to damages caused by adverse weather conditions, fire or natural disasters which are beyond our control and which may adversely affect PRC economy. Acts of war or terrorism may also injure our employees, cause loss of lives, damage our production facilities, disrupt our distribution channels and destroy our markets, any or all of which could materially impact our revenue, costs, financial conditions and growth potential.

The global financial markets have experienced significant deterioration and volatility recently, which have negatively impacted the global economy.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowdown of economic growth both in the PRC and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets that have affected some aspects of our business.

As it is difficult to predict how long these conditions will subsist and whether business activities and consumer confidence will continue to decline, these developments could continue to present risks to our business and operations for an extended period of time, including a potential slowdown in our sales to customers, increase in interest expenses on bank borrowings, and reduction in the amount of banking facilities currently available to us. If this economic slowdown continues, our financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Substantially all of our assets and operations are located in the PRC and a substantial part of our revenue is derived from the PRC. Accordingly, our business operations and prospects are subject, to a significant degree, to the economic, political and legal developments in the PRC.

We may be affected by product liability claims, or breaches of food safety and product defect laws.

To protect consumers in relation to the purchase or use of goods and services, the Law of the PRC on Protection of Consumers’ Rights and Interests (《中華人民共和國消費者權益保護法》) (“**Consumer Protection Law**”) was promulgated in 1993 and amended in 2009. At present, all business entities which provide goods and/or services for sale in the PRC must observe and comply with the Consumer Protection Law. In addition, the Law of the PRC on Product Liability (《中華人民共和國產品質量法》) was also promulgated in 1993 and amended in 2000 and 2009, pursuant to which the entities shall bear the liabilities of products produced or sold by them. To provide further protection to consumers in relation to the purchase or consumption of food, the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (“**Food Safety Law**”) was promulgated on 28 February 2009 and took effect on 1 June 2009. We have not been subject to any product liability claims during the Track Record Period. However, we cannot assure that there will not be any product liability claims made against us or against our customers in the future. If we or our customers are subject to such product liability claims, our business, financial condition and results of operations could be materially and adversely affected.

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The discovery by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) (AQSIQ) of melamine contamination in milk powder products of certain dairy companies, including several of our customers, in the PRC in September 2008 resulted in the widespread recall of and prohibition on the sale of such contaminated milk powder products and food and beverage products containing milk or dairy products in the PRC and in international markets, as well as international restrictions on the import of the PRC food and beverage products that contain any traces of milk. The PRC dairy industry has undertaken active remedial measures but it has yet to fully recover from this incident. The melamine incident undermined people’s confidence in milk powder products, leading to a decrease in the demand for our aseptic packs from several of our dairy customers. Notwithstanding that we are not legally liable for the contents of our aseptic packs, we have incurred extra expenses due to a receivable provision relating primarily to three customers affected by the 2008 melamine incident. Although we have been able to collect a substantial portion of such impaired receivable as of 31 December 2009, we estimate that there will ultimately be a negative financial impact of approximately RMB1.8 million. Any similar incidents in the future concerning our dairy or NCSD customers could involve significantly larger losses and have a material and adverse effect on our business, financial condition and results of operations.

Changes in economic, political and social conditions and government policies in the PRC may have an adverse effect on us.

The PRC economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, the PRC government continues to exercise significant control over economic growth through the allocation of resources, the controlling of incurrence and payment of foreign currency denominated obligations, monetary policy and preferential treatment to particular industries or companies. For the past three decades, the PRC government has implemented measures for economic reform, emphasising utilisation of market forces in the development of the PRC economy. In the meantime, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. We cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on our current or future business, results of operations or financial condition.

A slow-down of the PRC economy could adversely affect our business, results of operations and growth prospects.

Our revenue from the PRC market accounted for a substantial portion of our revenues during the Track Record Period. The success of our business depends, in significant part, on the growth of the PRC economy and the resultant demand for aseptic packs. A slow-down of the PRC economy could adversely affect our businesses, results of operations and growth prospects. In recent periods, the growth of the PRC economy has slowed down significantly, affected by the ongoing global financial

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crisis. According to the PRC’s National Bureau of Statistics, real GDP of the PRC grew at an annual rate of 13.0%, 9.6% and 9.1% in 2007, 2008, and 2009, respectively. The slow-down in the PRC’s economic growth may reduce demand for our products, which could have a material and adverse effect on our financial condition and results of operations.

Changes in existing food safety laws may cause us to incur additional costs to comply with more stringent laws and regulations, and our failure to comply with any of these developments could result in legal liabilities.

Our customers, being producers in food and beverage industry in the PRC, are subject to compliance with PRC food safety laws and regulations. In particular, the Food Safety Law was promulgated on 28 February 2009 and became effective on 1 June 2009 and its implementation regulations were promulgated and became effective on 20 July 2009, respectively, which have provided for more stringent requirements on food and its packaging materials. These food safety laws require all enterprises engaged in production of food and beverage products to obtain producing license for their productions. They also set out hygiene standards with respect to food and beverage packaging and containers, information to be disclosed on packaging as well as hygiene requirements for sites, facilities and equipments used for transportation and sale of food and beverages. In the event that the PRC or other relevant governments tighten the requirements under the food safety laws, our production and distribution costs may increase substantially and there is no guarantee that such additional costs could be passed to our customers.

Apart from safety food laws, our operations are also subject to laws and regulations governing product quality, the printing business, foreign investment, labour and insurance matters, tax, foreign exchange and the protection of the environment. Any significant change in the scope or application of these laws or regulations or any promulgation of new laws and regulations may increase our costs of production and have an adverse effect on our financial condition and results of operations. Any failure to comply with such laws and regulations could result in fines, suspension of operations, loss of any licenses, penalties or lawsuits. There can also be no assurance that the government in the PRC will not impose additional or stricter laws or regulations in the future, which could give rise to significant compliance costs that we may be unable to pass on to our customers.

We are subject to a wide variety of environmental regulations and we may be adversely affected by the imposition and enforcement of more stringent environmental protection laws in the PRC.

Our production facilities and business operations in the PRC are subject to the environmental laws and regulations imposed by the government authorities (on a national and provincial level) relating to, among others, environmental assessment on the projects and facilities, waste management and water protection. We are also required to undergo an appraisal of environmental effect as well as obtain environmental protection approval with relevant governmental authorities before we can launch our trial production. For details, please refer to the section headed “Regulation of our Industry” in this document.

We commenced trial production at our Hellingee Factory and the second production line of our Gaotang Factory in May 2010 and September 2009, respectively, before obtaining the approvals for trial production for our Hellingee Factory in August 2010 and for the second production line of our

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Gaotang Factory in December 2009. Further, Beijing Tralin has only obtained the relevant inspection and acceptance approval in respect of the construction of the Beijing R&D Centre in September 2010 while the operation of the Beijing R&D Centre has commenced in early 2008. As of the Latest Practicable Date, no fines or other penalties have been imposed upon us by or from the relevant PRC authorities for these past non-compliances. As confirmed by our PRC legal adviser, Commerce & Finance Law Offices, as we have taken remedial measures by obtaining the trial production approvals for both of our factories and Beijing Tralin has obtained the environmental protection approval for production in October 2010, the risk of any penalty or fine being imposed on our Group is very low. Nevertheless, any penalty or fine imposed on us due to any of these instances of past non-compliance could adversely affect our business and financial condition.

In addition, if we fail to comply with other PRC environmental laws and regulations in the future, we could be exposed to penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. We also cannot exclude the possibility that the PRC government will not impose additional or stricter laws or regulations in the future, compliance with which may cause us to incur significant capital expenditure that we may be unable to pass on to our customers through higher prices for our products.

The PRC legal system embodies uncertainties that could adversely affect our business and results of operations.

The PRC legal system is based on written statutes, and prior court decisions may be used for reference but have limited precedential value. Since 1979, a series of PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investment in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve significant uncertainties, which may limit the available legal protections. In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms and it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to realise our contractual or tort rights. Such uncertainties may increase our operating expenses and costs, and materially and adversely affect our business and results of operations.

The implementation of the newly enacted PRC tax law and its implementation regulations may significantly increase our income tax expenses.

The National People’s Congress passed the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**New Tax Law**”) on 16 March 2007, which took effect on 1 January 2008. On 6 December 2007, the State Council promulgated the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the “**Tax Implementation Regulations**”), which became effective on 1 January 2008. The New

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Tax Law and the Tax Implementation Regulations may affect us and our Shareholders with respect to tax levies on dividends payable. Our subsidiary, Greatview, was exempt from withholding tax in relation to the dividends distributed by Shandong Tralin Packaging in the PRC prior to the implementation of the New Tax Law.

Under the New Tax Law and the Tax Implementation Regulations, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and is subject to enterprise income tax at the rate of 25% on its global income. The Tax Implementation Regulations define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” The State Administration of Taxation (“SAT”), issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外注冊中資控股企業依據實際管理機構標準確定為居民企業有關問題的 通知) (“**Circular 82**”) on 22 April 2009, which became effective retrospectively on 1 January 2008. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those invested in by PRC individuals, like our Company, the determining criteria set forth in Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or controlled by or invested in by PRC individuals. While we do not believe we should be considered a resident enterprise and neither do we qualify for the criteria under Circular 82 for determining whether the “de facto management body” is located in China nor should we be deemed as a PRC resident enterprise for income tax purpose, we cannot ensure you that the SAT will not implement Circular 82 or amend the rules regarding “de facto management body” above to the effect that such rules will apply to enterprises like us or our wholly owned subsidiary in Hong Kong, Greatview, in the future. If the PRC authorities were to subsequently determine that we should be treated as a resident enterprise, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our financial condition and results of operations. Meanwhile, under the New Tax Law, the dividend paid by one resident enterprise to another resident enterprise is exempted from income tax.

On the other hand, under the New Tax Law, a withholding tax of 10% is applicable to dividends payable to shareholders that are “non-resident enterprises”, which include those without an institution or place of business in China, or those with such institution or place of business but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends have their sources within the PRC, unless tax treaties with other countries otherwise stipulate. Similarly, any gain realised on the transfer of shares by such shareholders is also subject to a 10% PRC income tax, if such gain is regarded as income derived from sources within the PRC. If our Company is considered to be an “offshore-registered resident enterprise”, the dividends we pay to shareholders that are “non-resident enterprises” with respect to our Shares would be treated as income derived from sources within the PRC and be subject to a 10% withholding tax. The gain shareholders may realise from the transfer of our Shares may also be treated as income derived from sources within the PRC and be subject to PRC income tax if such shareholders are considered as non-resident enterprises. If shareholders are required to pay PRC income tax on the transfer of our

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Shares, the value of their investment in our Shares may be materially and adversely affected.] According to the Arrangement between the PRC and Hong Kong on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排), which was executed on 21 August 2006 and became effective on 1 January 2007, such withholding tax is reduced to 5% if a Hong Kong resident enterprise beneficially owns at least a 25% equity interest in a PRC entity. As Greatview was incorporated in Hong Kong and holds 100% equity interest in each of our PRC subsidiaries which Greatview has directly invested in, respectively, according to the aforesaid arrangement, any dividend paid to Greatview may be subject to a withholding tax of 5%.

Furthermore, the SAT promulgated the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知) on 27 October 2009 (“**Circular 601**”), which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. The conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. We cannot assure you that any dividends to be distributed by us to our non-PRC shareholders whose jurisdiction of incorporation has a tax treaty with China providing for a different withholding arrangement will be entitled to the benefits under the relevant withholding arrangement.

Additionally, pursuant to the New Tax Law, enterprises that previously enjoyed preferential treatments of low tax rates will be subject to the new enterprise income tax rate of 25% after a five-year transitional period. Moreover, preferential treatments of tax exemption or reduction with fixed terms enjoyed by enterprises including us will continue until the expiry of the prescribed period. We have been enjoying certain preferential tax treatments, the expiry or reduction of which may adversely affect our financial condition and results of operations. Furthermore, in connection with the New Tax Law and the Tax Implementation Regulations, the Ministry of Finance and the SAT jointly issued, on 30 April 2009, the Circular on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知) (“**Circular 59**”) and on 10 December 2009, the SAT issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**Circular 698**”). Both Circular 59 and Circular 698 became effective retroactively on 1 January 2008. For more details of the Reorganisation, please refer to the section headed “History, Reorganisation and Corporate Structure” in this document. The PRC tax authorities have the discretion under Circular 59 and Circular 698 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. If the PRC tax authorities make such adjustment, our income tax costs will be increased. In addition, by promulgating and implementing the circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. For example, Circular 698 specifies that the SAT is entitled to redefine the nature of an equity transfer where offshore vehicles are interposed for tax-avoidance purposes and without reasonable commercial purpose. As the Circular has only recently been promulgated, our Directors consider that it is uncertain as to how it will be implemented, especially

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how the fair value will be determined by the relevant PRC tax authorities, and the respective tax base and the tax exposure cannot be determined definitively at this stage. In case we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our financial conditions and results of operations could be adversely affected.

The implementation of PRC laws and regulations on foreign loans and direct investment to PRC entities may adversely affect our liquidity and ability to fund and expand our business.

We may provide loans to our PRC subsidiaries and may also finance our PRC subsidiaries by means of capital contributions following completion of [●]. Any loans to our PRC subsidiaries, which we have directly invested in and each of which is a foreign-invested enterprise, cannot exceed statutory limits, which is based on the amount of our investment in such subsidiary, and must be registered with the SAFE, or its local counterpart. These capital contributions we inject to our PRC subsidiaries must be approved by the MOFCOM, or its local counterpart. We cannot give assurance that we will be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

In addition, the SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (“Circular No. 142”) on 29 August 2008. Circular No. 142 clarifies that Renminbi converted from foreign exchange capital contributions can only be used to fund activities within the approved business scope of a foreign-invested enterprise, and cannot be used to fund domestic equity investment unless otherwise allowed. As a result, our PRC subsidiaries may not be able to use the foreign exchange capital contributed by us to fund equity investment or acquisition in the PRC.

Further, the Law of the PRC on Anti-Monopoly (《中華人民共和國反壟斷法》) (“AML”) was promulgated on 30 August 2007 by the Standing Committee of National People’s Congress and became effective on 1 August 2008, which attempts to prevent monopolistic activities and protect fair competition in the PRC. The AML does not prohibit any business entity from expanding its market shares to achieve a dominant market position through fair competition, nor does it set limits on the market share that any one entity can achieve or maintain in the PRC. It prohibits, however, pursuing consolidations which excludes, restrict or potentially inhibit competition. The strategy of our business expansion through merger or acquisition of other competitors may be subject to strict examination and approval by the MOFCOM, which is the main authority in charge of reviewing operators consolidation concerning anti-monopoly issues. As the AML has not been fully interpreted and implemented, its effect on our business is not yet known and we cannot give assurance that the relevant authorities will not interpret the law in such a manner or announce specific rules such that the implementation of the AML will affect our business in general or will contradict the PRC government’s existing policies. In the event of non-compliance with the AML, we may be forced to terminate the consolidation, or subject to fines and other penalties, in which case our revenue and shareholder value may be materially and adversely affected.

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The implementation of the PRC Labour Contract Law and the implementation regulation for the PRC Labour Contract Law may increase our operating expenses.

On 29 June 2007, the National People’s Congress enacted the PRC Labour Contract Law, or the Labour Contract Law, which became effective on 1 January 2008. The Implementation Regulation for the PRC Labour Contract Law, or the Implementation Regulation, was promulgated by the State Council and took effect on 18 September 2008. The Labour Contract Law formalises, inter alia, workers’ rights concerning overtime hours, pensions and layoffs, the execution, performance, modification and termination of the labour contracts, the clauses of the labour contract and the role of trade unions herein. In particular, it provides for specific standards and procedures for entering into non-fixed-term labour contracts. Either the employer or the employee is entitled to terminate the labour contract in circumstances as prescribed in the Labour Contract Law or if certain preconditions are fulfilled, and in certain cases, the employer is required to make a statutory severance payment upon the termination of the labour contract pursuant to the standards provided by the Labour Contract Law.

As the Labour Contract Law and its Implementation Regulation have been enforced for only a short period, substantial uncertainty remains as to its potential impact on our business and results of operations. The implementation of the Labour Contract Law and its Implementation Regulation may increase our operating expenses, in particular our costs of human resources and our administrative expenses. In the event that we decide to significantly modify our employment or labour policy or practice, or reduce the number of our employees or otherwise, the Labour Contract Law may also limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business and results of operations.

It may be difficult to effect service of process or to enforce foreign judgments in the PRC.

Our Group’s major assets and operating subsidiaries are located in the PRC. In addition, most of our Directors and officers reside in the PRC, and the assets of our Directors and officers may also be located in the PRC. As a result, it may be difficult to effect service of process from non-PRC courts upon us or upon most of our Directors and officers, including with respect to matters arising under the applicable securities laws. A judgment of a court of another jurisdiction may be recognised or enforced by the PRC courts either through treaties between the PRC and the state in which the other jurisdiction is located, or through the application of the principle of reciprocity, subject to the satisfaction of other requirements. However, the PRC does not have treaties with Japan, the United Kingdom, the United States and most other countries providing for the reciprocal enforcement of judgments. In addition, Hong Kong has no arrangement with the United States for the reciprocal enforcement of judgments. As a result, recognition and enforcement in the PRC or Hong Kong of judgments in these jurisdictions in relation to any matter is subject to uncertainties. Further, there are doubts as to the enforceability in original actions brought in the PRC of actions predicated governed by the laws of Hong Kong or the United States or most other western countries.

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Changes in foreign exchange regulations and fluctuations in the value of the Renminbi could have an adverse effect on our financial results and our ability to distribute dividends.

The RMB is currently not a freely convertible currency. We receive a significant proportion of our revenue in RMB. RMB valuation is subject to changes in the PRC government’s policies and depends largely on domestic and international economic and political developments, as well as supply and demand in the local currency market. On 21 July 2005, as a result of the re-pegging of the RMB to a basket of currencies, the RMB was revalued and appreciated against the US dollar by approximately 2% on the same date. On 23 September 2005, the PRC government widened the daily trading band for RMB against non-US dollar currencies from 1.5% to 3% to improve the flexibility of the new foreign exchange system. There can be no assurance that the RMB exchange rate will remain stable against the US dollar or any other foreign currencies in the future. Any significant change in the exchange rates of the RMB against the US dollar or Hong Kong dollar could adversely affect the value of our dividends, which are to be funded by RMB but paid in Hong Kong dollars. In addition, the appreciation of the RMB could cause foreign exchange losses related to our bank balances denominated in US dollars and Euros and could have an adverse effect on our financial results.

In addition, conversion of the RMB is still strictly regulated by the PRC government and conversion and remittance of foreign currencies are subject to the relevant PRC foreign exchange regulations. Under the current PRC foreign exchange control regime, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE subject to the presentation of relevant documentary evidence of such transactions and the conduct of such transactions at designated foreign exchange banks within the PRC with licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE. Any insufficiency of foreign exchange may restrict our ability to make dividend payments to the Shareholders following the completion of [●] or restrict our capability to satisfy our other foreign exchange needs. If we fail to obtain approval from SAFE to convert RMB into any required foreign exchange, our capital expenditure plans, business results and financial results will be materially and adversely affected.

In addition, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated registered capital of a foreign-invested company with the promulgation of Circular No. 142. The use of such Renminbi may not be changed without approval from SAFE, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Violations of Circular No. 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations.

DIRECTORS

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<i>Independent non-executive Directors</i>		
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CORPORATE INFORMATION

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Our website address	www.ga-pack.com <i>(information contained on this website does not form part of this document)</i>
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[●]	[●]

CORPORATE INFORMATION

[●]

[●]

[●]

[●]

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INDUSTRY OVERVIEW

This and other sections of this document contain information relating to the PRC economy and the industry in which we operate. Certain information and data contained in this section have been derived partly from publicly available government and official sources. Certain other information and statistics set forth in this section have been extracted from a market research report we commissioned from Frost & Sullivan, an independent market research agency for inclusion in this document. Unless otherwise stated, the information contained in this section of the document has been extracted from Frost & Sullivan’s market research report. We believe that these sources are appropriate sources for such information and have taken reasonable care in selecting and identifying the sources, in compiling, extracting, and reproducing such information, and in ensuring no material omission of such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified directly or indirectly by us or any of our or their respective affiliates, directors, employees, agents or advisers. Such information may not be consistent with other information compiled within or outside China. We make no representation as to the completeness, accuracy, or fairness of such information, and accordingly, such information should not be unduly relied upon.

OVERVIEW OF THE GLOBAL ASEPTIC PACKAGING INDUSTRY

Background

Aseptic packaging in a broad sense refers to sealed, sterile containers filled by sterile food and beverage products under an aseptic environment. The pre-sterilized container and aseptic environment are designed specifically to prevent bacterial contamination. The sterilization process eliminates the micro-organisms which might cause deterioration of filled contents. Aseptic packaging in the form of liquid cartons was invented by Tetra Pak in the 1950s and first gained wide-spread usage in the dairy industry. Since then, the downstream applications of aseptic packaging have expanded to juice, beverages, soups, broths, cream, tomato paste and wine.

As used in this document, aseptic packaging refers to liquid cartons which are made from LPB, polyethylene and aluminium foil, and which are used mainly for liquid dairy products such as milk, yogurt and dairy drinks and for NCS products, such as fruit and vegetable juices, ready-to-drink (“RTD”) tea and RTD coffee. Other applications include liquid foods such as creams, soups and sauces. Aseptic packaging comes in several shapes including brick, pillow pouch, polygon and gable top, and ranges in size from 125 mL single-portion containers to 1000 mL and above family-size containers.

Within the larger beverage packaging market, aseptic packaging competes with alternative packaging formats, including rigid plastic, glass, metal cans and flexible packaging, some of which are more prevalent than aseptic packaging. Although technological advances have improved some features of these alternative formats, aseptic packaging maintains certain advantages for the packaging and storage of perishable food and beverages. Among its advantages, aseptic packaging (i) extends shelf life and enables products to be preserved for up to twelve months; (ii) decreases cost of storage

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and transportation given both can take place without refrigeration; (iii) further reduces logistics and storage costs because its compact, rectangular shape reduces transport and warehouse volume requirements compared to competing, cylindrical shaped packaging such as PET bottles, metal cans, and most glass, and because it is lighter than metal cans and glass.

Two distinct packaging systems exist in the aseptic packaging industry. Suppliers provide aseptic packaging materials to customers either in roll form or in blank form. Rolls are cylindrical spools of aseptic packaging materials that take shape in customers’ roll-fed filling machines while blanks are flat, individually cut and pre-formed aseptic packs that are filled using blank-filled filling machines. The two systems are not interchangeable. Because of the different filling machines and associated capital commitment required by each, customers are not able to easily switch between roll-fed and blank-filled aseptic packaging suppliers. Currently, the roll-fed system dominates the global aseptic packaging industry as it is used by Tetra Pak, the global leader with an estimated global market share of approximately 79.7% by volume. The blank-filled system is used by SIG and Elopak, with estimated global market shares of approximately 10.2% and 1.4%, respectively by volume in 2009. Tralin Pak uses a roll-fed system and is estimated to be among the four largest players globally with an estimated global market share of approximately 1.5% by volume in 2009.

On both global and regional levels, the aseptic packaging market is highly concentrated. The barriers to entry in the aseptic packaging market include:

- extensive technical and operational know-how to achieve high precision and quality standards and to quickly trace product performance issues to their root cause;
- customers’ reluctance to adopt new suppliers of aseptic packaging given their stringent quality requirements and aversion to potential food safety risks, and, given the particularly stringent requirements of the dairy industry, the time necessary to build a strong reputation and earn the trust of dairy customers;
- difficulty of establishing relationships with raw material suppliers that meet high quality food standards; and
- substantial capital investment required for building production facilities and achieving the requisite scale of production.

Historically, in many markets, the dominant incumbent players had imposed restrictive bundling conditions upon customers, which increased barriers of entry for new aseptic packaging suppliers. After several interventions by the European Commission in the 1990s as well as the promulgation of anti-monopoly legislation in China in 2008, such practices were prohibited.

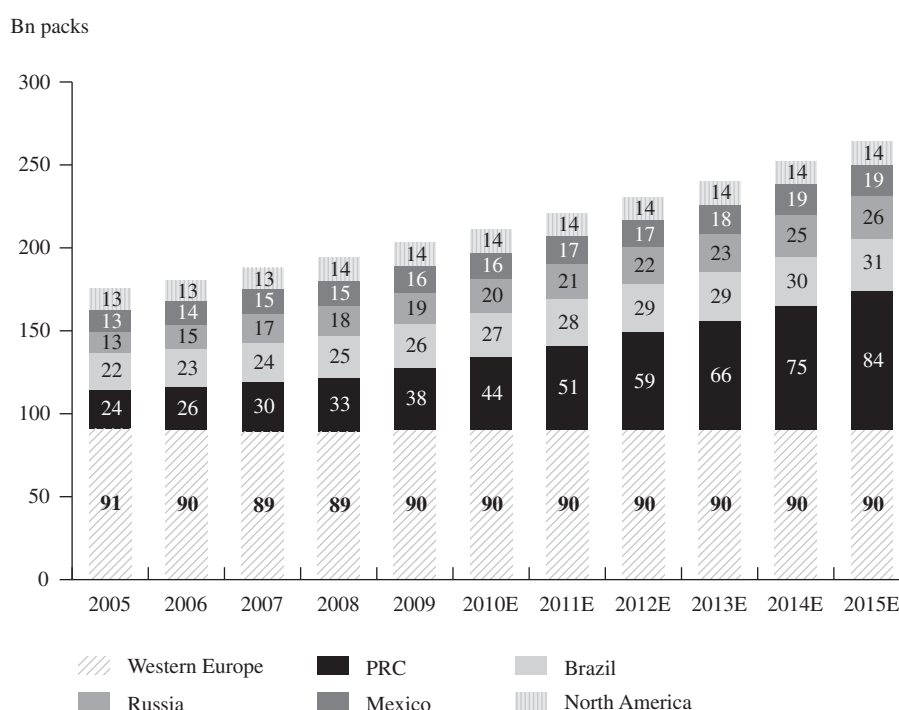
The global aseptic packaging industry

According to Frost & Sullivan, the global aseptic packaging market comprised approximately 269.9 billion packs in sales volume, which grew at 4.2% CAGR from 2005 to 2009.

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Western Europe was the largest market in 2009, accounting for 33.2% of the total global aseptic packaging market by volume, largely due to the prevalence of Ultra High Temperature (“UHT”) milk in countries such as Spain and France. The PRC was the second largest market and the largest single country market, accounting for 14.2% of global volume. Amongst the markets surveyed by Frost & Sullivan, Brazil constituted the third largest market, accounting for 9.6% of global aseptic packaging volumes in 2009, while Russia and Mexico accounted for 7.1% and 5.8% respectively. The North American market, comprising the United States and Canada, accounted for 5.0% of global volumes in 2009. The following chart sets forth historical and projected market size of selected major aseptic packaging markets by volume from 2005 to 2015.

Aseptic Packaging Market in terms of Volume, 2005-2015E



Note: North America includes Canada and the U.S. PRC stands for People’s Republic of China. Western Europe includes Austria, Belgium, France, Germany, Italy, the Netherlands, Finland, Norway, Sweden, Spain, Portugal, Switzerland and the U.K.

Source: Frost & Sullivan

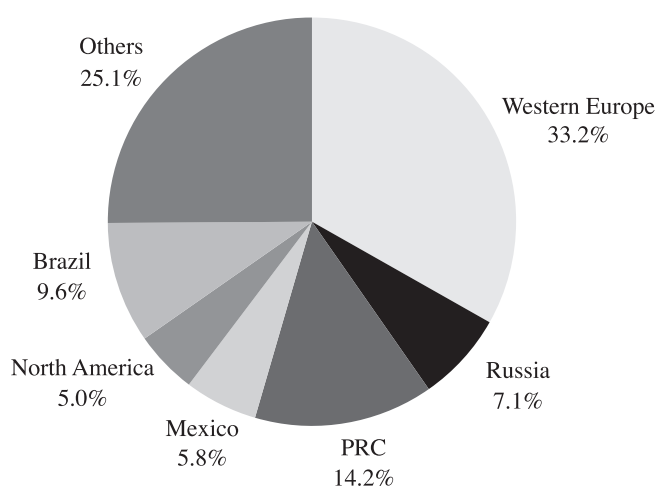
The global aseptic packaging market in terms of annual sales volume is expected to grow at a CAGR of 4.9% from 2009 to 2015. According to Frost & Sullivan, this growth is expected to be driven primarily by (i) increasing application to new products such as soups, sauces, baby food, tomato products, ready meals and fruit ingredients; (ii) increasing consumer awareness of food safety and health and recognition of aseptic packaging’s ability to maintain food safety and reduce preservative levels; and (iii) increasing demand for lower-cost and eco-friendly packaging from beverage producers.

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Although Western Europe is expected to remain the largest market for aseptic packaging, its share of the global aseptic packaging market in terms of annual sales volume is expected to decrease from 33.2% in 2009 to 25.0% in 2015, due to its slow growth compared to other markets such as the PRC, Brazil, Russia and Mexico. Accordingly to Frost & Sullivan, the PRC market is anticipated to grow at a CAGR of 14.1% between 2009 and 2015 and its share of the global aseptic packaging market in terms of annual sales volume is expected to increase from 14.2% in 2009 to 23.4% in 2015. The following charts provide a breakdown of annual sales in the global aseptic packaging market by region in 2009 and as forecasted in 2015.

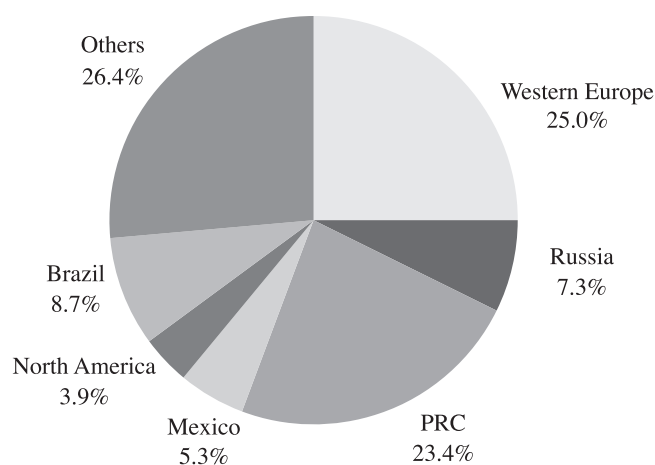
Global Aseptic Packaging Market Sales Volume Breakdown 2009

Total Sales Volume = 269.9 Bn packs



Global Aseptic Packaging Market Sales Volume Breakdown 2015E

Total Sales Volume = 359.0 Bn packs

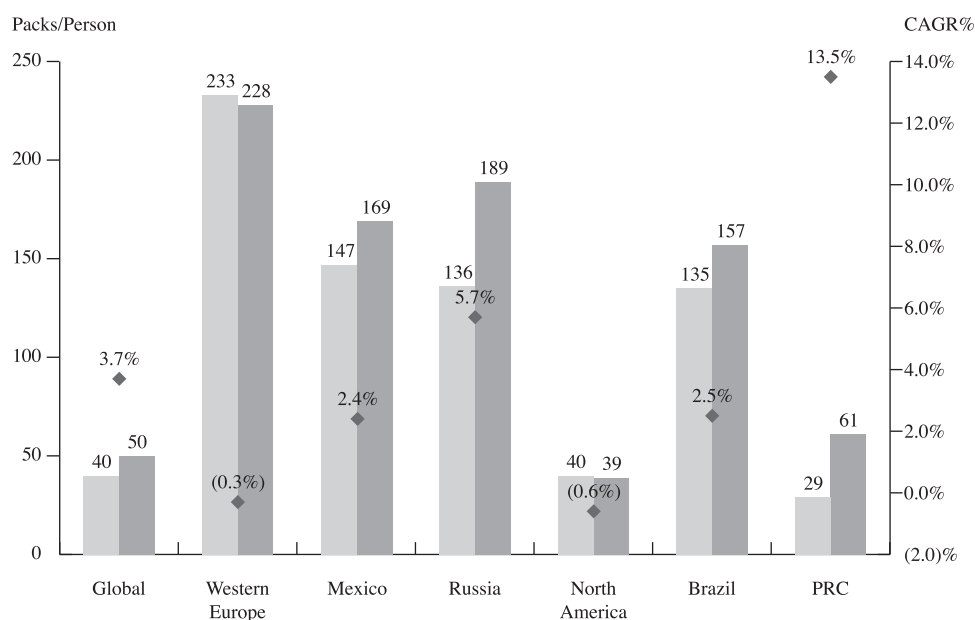


Source: Frost & Sullivan

INDUSTRY OVERVIEW

The market size and per capita consumption of aseptic packaging in a particular market are driven by various factors, including but not limited to population and population growth, urbanization, disposable income and popularity of liquid dairy products and NCSDs, the key downstream markets for the aseptic packaging industry. In addition, the particular geographic conditions, trade environment and societal preferences may impact the development of ambient versus chilled distribution. In 2009, annual per capita consumption of aseptic packaging in Western Europe was 233.1 packs. This is more than five times larger than per capita consumption of aseptic packaging in North America despite North America’s higher per capita consumption of liquid dairy products, largely due to the prevalence in North America of chilled distribution. The following chart sets forth market size in terms of per capita volume of the surveyed aseptic packaging markets in 2009 and as forecasted in 2015, as well as CAGR for the period in between.

Per Capita Volume Consumption of Aseptic Packaging, 2009 and 2015E



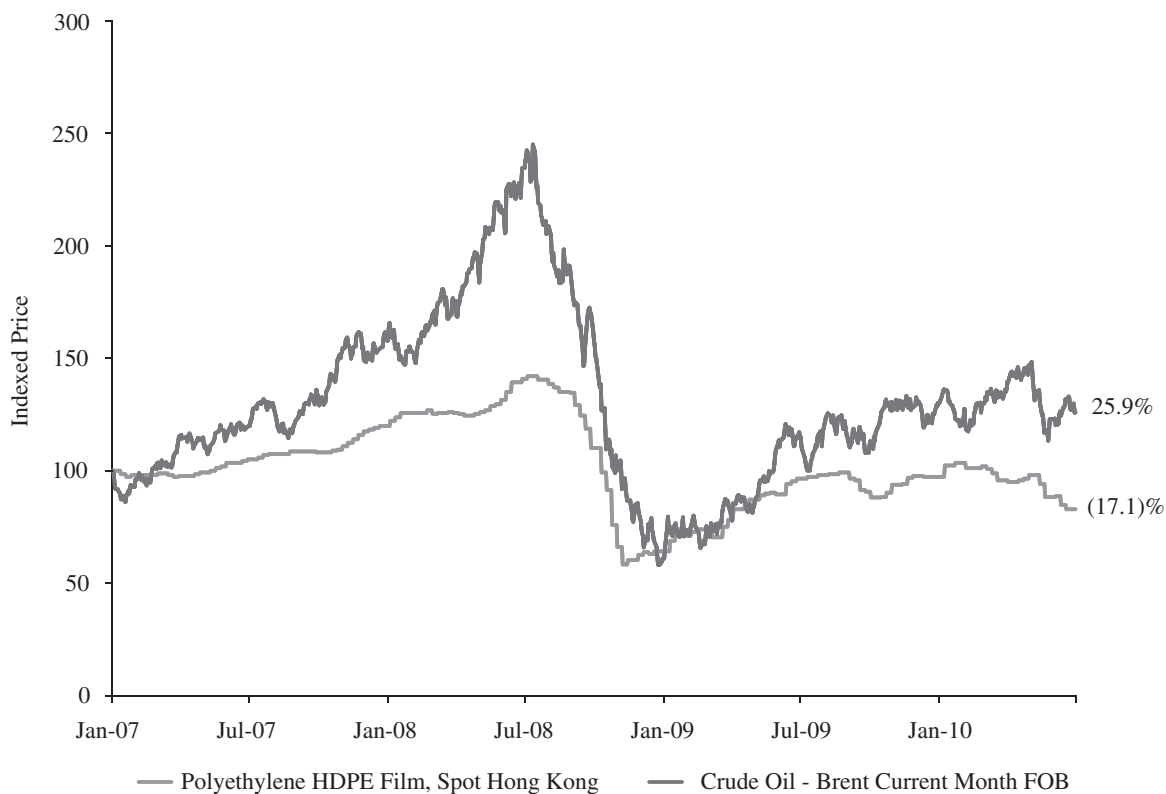
Note: Left bar indicates the figure for 2009, right bar for 2015E.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

The following chart sets forth the prices of oil and polyethylene from 2 January 2006 to 30 June 2010. Polyethylene is one of the raw materials used in the production of aseptic packaging.

Indexed Crude Oil and Polyethylene Prices, January 2007 to June 2010



Source: Datastream

INDUSTRY OVERVIEW

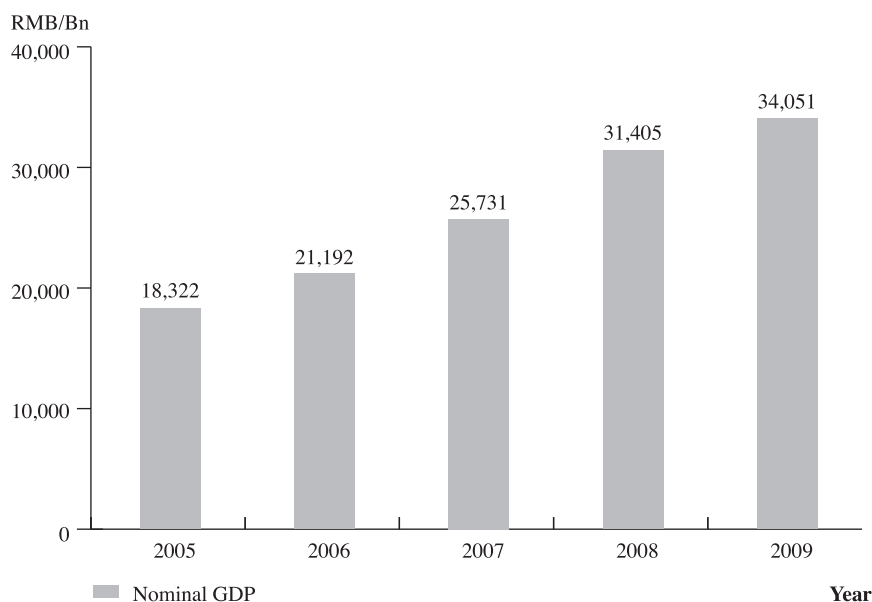
ASEPTIC PACKAGING MARKET IN CHINA

Growth of the PRC aseptic packaging market is driven primarily by expansion of the PRC economy, increasing urbanization and disposable income, and growth of downstream liquid dairy products and NCSD markets.

Economic growth of the PRC

The PRC economy has grown significantly since the implementation of economic reform and opening-up policies in the late 1970s. According to the National Bureau of Statistics of China from 2005 to 2009, nominal GDP in the PRC increased from RMB18,322 billion to RMB34,051 billion. The following chart sets forth historical GDP of the PRC from 2005 to 2009.

Nominal GDP, 2005-2009

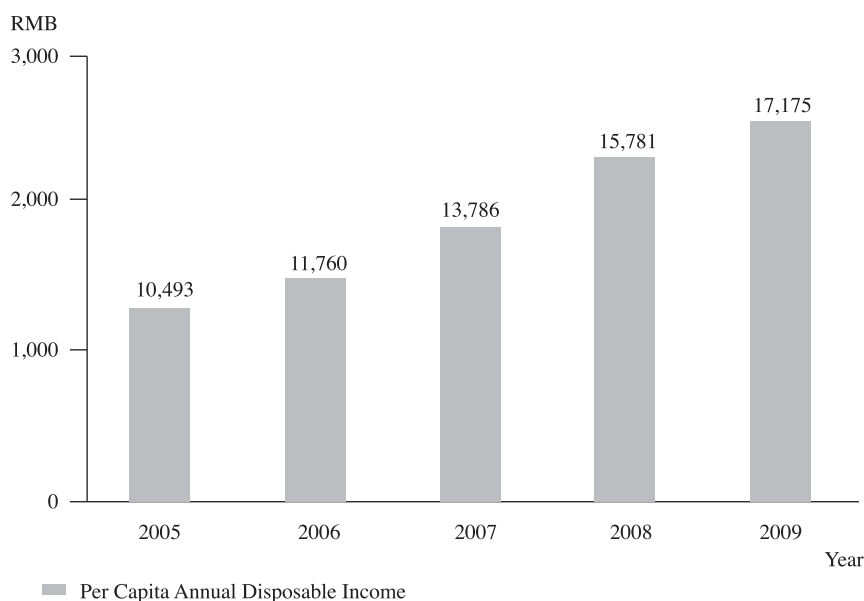


Sources: National Bureau of Statistics of China, *Bulletin on the First Revision of GDP of 2009*; *Statistic Bulletin on National Economy and Societies Development in 2009*; *2009 Statistics Yearbook of China*

INDUSTRY OVERVIEW

Due to rapid economic growth in the PRC and the influx of migrants from rural areas to developed urban areas, the PRC is experiencing an unprecedented urbanisation of its population. This trend, along with the large population base of the PRC, is anticipated to create an attractive consumer market both in terms of size and growth in purchasing power. In line with the PRC’s per capita GDP growth and increasing urbanisation, the income of urban residents has increased significantly over the past decade. The following chart sets forth historical per capita annual disposable income of urban households in the PRC from 2005 to 2009.

Per Capita Annual Disposable Income of Urban Households, 2005-2009



Sources: National Bureau of Statistics of China, *Statistic Bulletin on National Economy and Societies Development in 2009*; *2009 Statistics Yearbook of China*

Growth in downstream markets: liquid dairy products and NCSD

In line with increasing per capita annual disposable income and retail sales of consumer goods, the two major downstream markets for aseptic packaging in the PRC, liquid dairy products and NCSD, have also experienced strong growth since 2005.

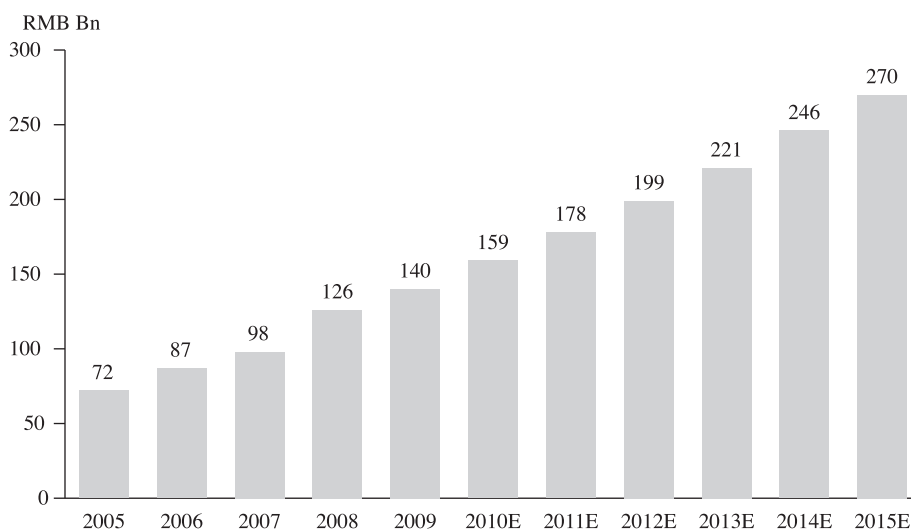
Liquid dairy product market in the PRC

In 2009, the PRC was the second largest consumer of liquid dairy products globally, with annual consumption of approximately 30.0 billion litres, according to the Tetra Pak Dairy Index. India and the US were the first and third largest consumers, with annual consumption of 52.8 billion litres and 26.9 billion litres, respectively.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the liquid dairy product market in the PRC grew in terms of annual sales revenue from RMB71.8 billion in 2005 to RMB140.3 billion in 2009. Despite the melamine contamination that affected part of China’s dairy industry from late 2008 to early 2009, consumer sales and confidence recovered and annual sales revenue is expected to increase to RMB270.0 billion in 2015, representing a CAGR of 11.5% from 2009 to 2015. The following chart sets forth historical and forecasted annual sales revenue in the liquid dairy product market in the PRC from 2005 to 2015.

Liquid Dairy Product Market in terms of Revenue, 2005-2015E



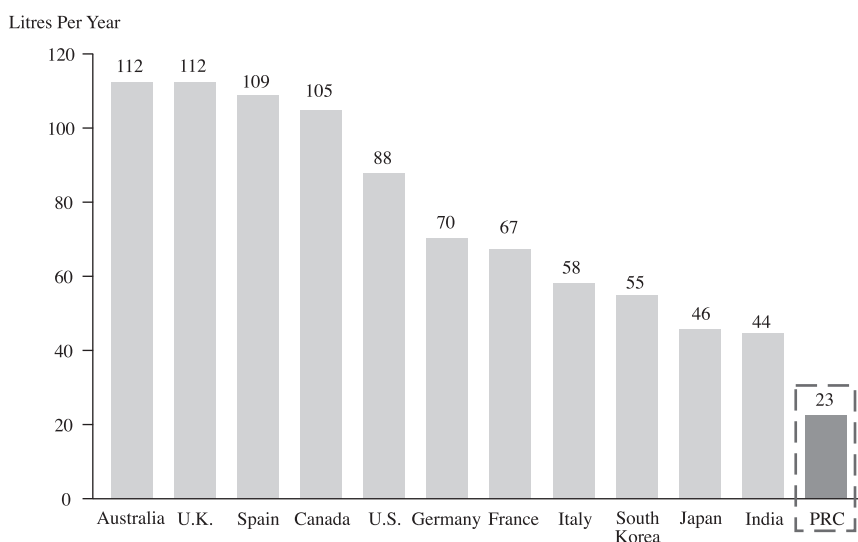
Note: LDP here includes only UHT, fresh milk, and yogurt. Historical and projected revenue is by Frost & Sullivan.

Sources: National Bureau of Statistics of China, China Dairy Industry Association (“CDIA”), Frost & Sullivan

INDUSTRY OVERVIEW

Compared with other countries, the liquid dairy product market in the PRC remains relatively under-developed, with the lowest per capita consumption among the 12 surveyed countries. Per capita liquid dairy products consumption in the PRC was only 22.5 litres in 2009, approximately half that of India, and is expected to increase to 24.9 litres by 2012. The following chart sets forth a comparison of per capita consumption of liquid dairy products by country in 2009.

Comparison of Per Capita Consumption in Liquid Dairy Product Markets, 2009



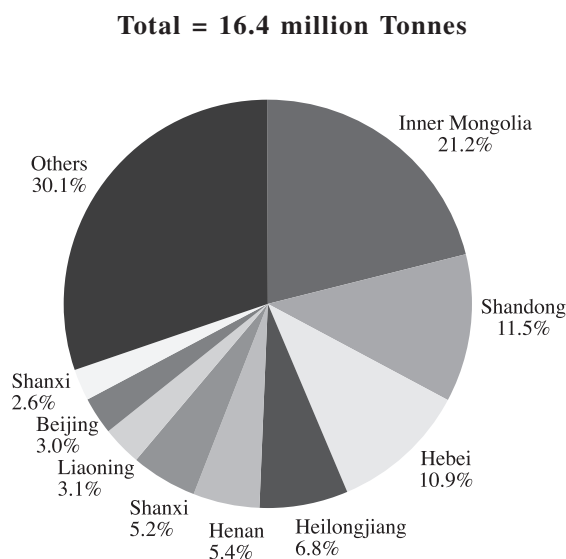
Note: Per capita estimation is calculated from 2009 consumption from Tetra Pak and mid-year population in 2009 based on IMF figures of selected countries.

Sources: Tetra Pak Dairy Index Issue 3 July 2010, Frost & Sullivan

INDUSTRY OVERVIEW

Liquid dairy production in the PRC is concentrated in northern regions, near centres of raw milk production, while consumption of liquid dairy is concentrated in more populous southern and coastal regions. According to the National Bureau of Statistics of China, four northern provinces accounted for approximately 50.5% of liquid dairy production in 2009. These cooler, non-subtropical northern grassland areas are typically more remote and located further away from industrial production areas, and as a result, are less densely populated. In contrast, consumers are generally concentrated in the southern and coastal regions of the PRC, where the major population centres are located and where per capita disposable income is higher. These regions depend largely on supply from the distant northern regions, and as a result of the distance between the dairy production centres and consumption markets, rely on ambient distribution of liquid dairy products, which does not require refrigeration. The following chart sets forth production of liquid dairy products in the PRC by province in 2009.

Breakdown of Liquid Dairy Product Production by Province, 2009



Note: Others includes Sichuan, Jiangsu, Yunnan, Fujian, and other provinces. Liquid dairy products here includes only UHT, fresh milk, and yogurt.

Sources: National Bureau of Statistics of China, China Dairy Industry Association, Frost & Sullivan

INDUSTRY OVERVIEW

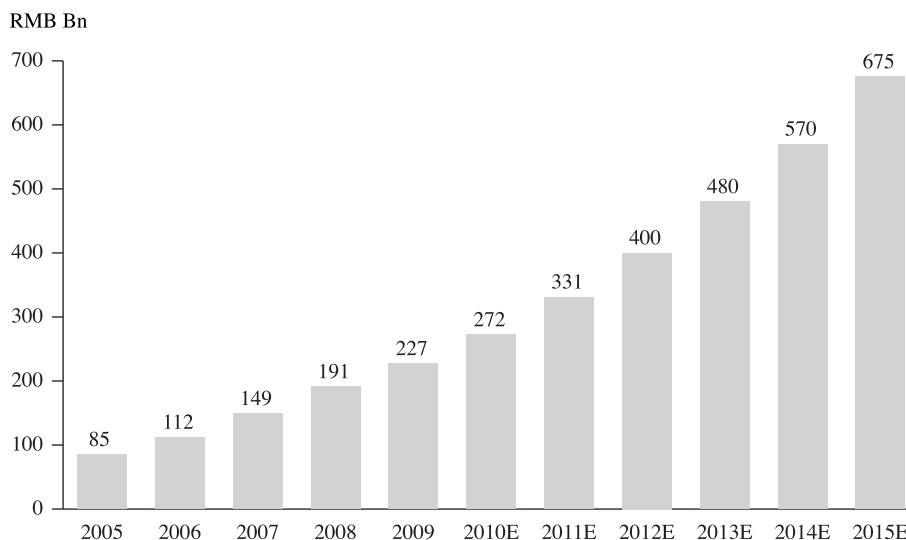
Non-carbonated soft drink market in the PRC

Non-carbonated soft drinks, or NCSD includes bottled water, fruit and vegetable juice drinks, RTD tea, RTD coffee, other still drinks, and functional drinks.

In 2009, the PRC was the second largest consumer of NCSD products globally, with annual consumption of approximately 69.5 billion litres, representing approximately 17.2% of global consumption. In 2009, the top three categories in the NCSD market in the PRC were bottled water, fruit and vegetable juice and RTD tea, representing 46.2%, 21.2% and 12.1% of the market respectively, according to Frost & Sullivan. North America and Western Europe were the largest and third largest consumers of NCSD products globally, with consumption of approximately 115.1 billion litres, or 28.5%, and 66.7 billion litres, or 16.5%, respectively.

The NCSD market in the PRC grew in terms of annual sales revenue from RMB85.5 billion in 2005 to RMB227.3 billion in 2009. The annual sales revenue is expected to increase to RMB675.0 billion in 2015, representing a CAGR of 19.9% from 2009 to 2015. The following chart sets forth historical and forecasted annual sales revenue in the NCSD market in the PRC from 2005 to 2015.

NCSD Market in terms of Revenue, 2005-2015E

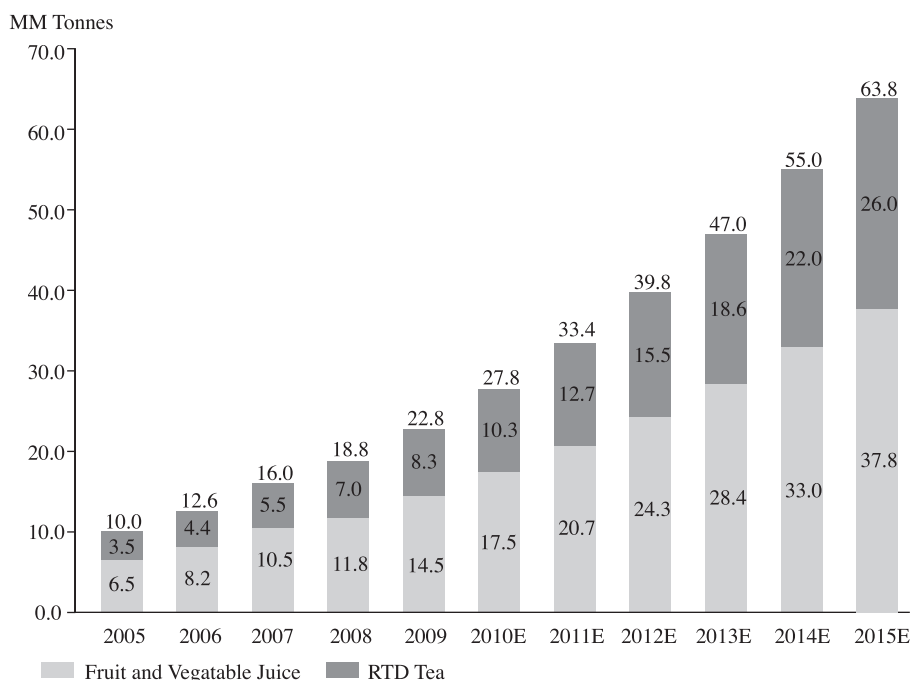


Sources: National Bureau of Statistics of China, Frost & Sullivan

INDUSTRY OVERVIEW

Growth in the NCS D market in the PRC is driven by consumers’ increasing concern with health, fitness and well-being in addition to increasing disposable income. Healthier NCS D products such as RTD teas and fruit and vegetable juice drinks have experienced strong growth in recent years. Traditional herbal teas in particular have become increasingly accepted among PRC consumers. Within the larger soft drink industry, production of RTD tea and fruit and vegetable juice drinks grew at a higher CAGR from 2007 to 2009 than carbonated soft drinks and were ranked second and third in growth respectively, behind bottled water. From 2009 to 2015, production of RTD tea is expected to increase at a CAGR of 21.0%, and production of fruit and vegetable juice is expected to increase at a CAGR of 17.3% over the same period. The following chart sets forth historical and forecasted production volume of RTD tea and fruit and vegetable juice in the PRC from 2005 to 2015.

Production Volume in the Fruit and Vegetable Juice and RTD Tea Markets, 2005-2015E



Sources: National Bureau of Statistics of China, Frost & Sullivan

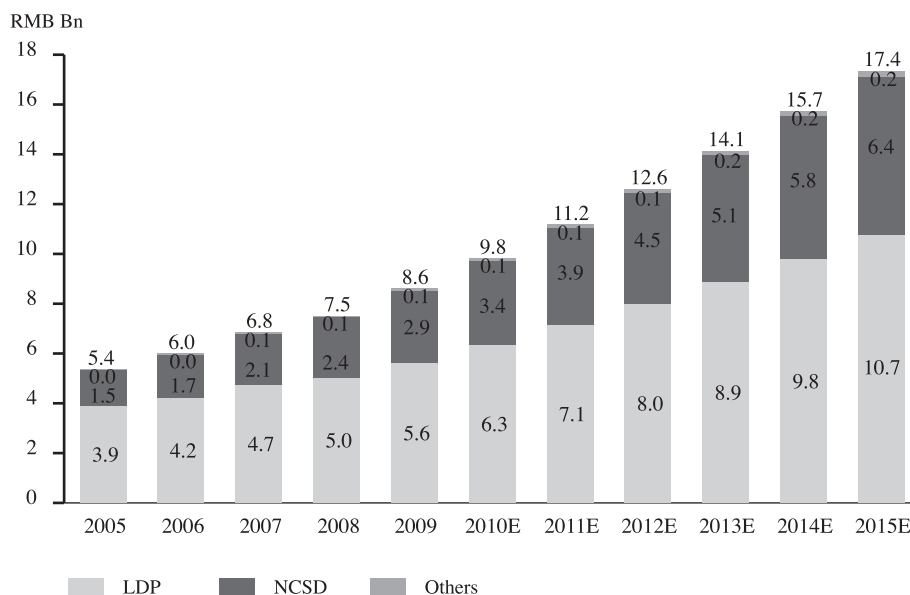
INDUSTRY OVERVIEW

Aseptic packaging market in the PRC

Of the regions surveyed by Frost & Sullivan, the PRC was the single largest country market by volume for aseptic packaging in the world in 2009, with an annual sales volume of 38.2 billion packs. The market in the PRC has grown substantially since 2005, with annual sales volume increasing at a CAGR of 12.8% from 2005 to 2009.

In the PRC, aseptic packages are commonly used for liquid dairy products and NCS, which in 2009 accounted for approximately 65.0% and 34.0% of aseptic packaging revenues respectively. The following chart sets forth the historical and forecasted market size of the PRC aseptic packaging market from 2005 to 2015 in terms of revenue by fill type.

Breakdown of Aseptic Packaging Revenues by Fill Type, 2005-2015E



Note: Others include soups, sauces, and other products.

Source: Frost & Sullivan

Aseptic packaging revenues associated with liquid dairy products in the PRC increased from RMB3.9 billion to RMB5.6 billion from 2005 to 2009, representing a CAGR of 9.6%. Revenues are expected to increase at a CAGR of 11.5% from 2009 to 2015, amounting to RMB10.7 billion by 2015. This growth is expected to be driven primarily by stable demand for ambient liquid dairy products in the PRC. In addition, growth is also expected to be driven by continued urbanization as well as by increased rural consumption of liquid dairy products.

Aseptic packaging revenues associated with NCSs in the PRC increased from RMB1.5 billion to RMB2.9 billion from 2005 to 2009, representing a CAGR of 19.1%. In the period 2009 to 2015, revenues are expected to increase at a CAGR of 13.9%, amounting to RMB6.4 billion in 2015.

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Although liquid dairy products and NCSD are the primary product fills for aseptic packaging in the PRC, aseptic packaging is expected to expand into a wider variety of beverages, particularly as stricter hygiene standards are adopted. Aseptic packaging is also expected to expand to additional applications such as sauces, soups and even wine.

Growth in the aseptic packaging industry will also continue to be driven by: (i) increasing demand for NCSD products as consumers become more health conscious; (ii) stable demand for liquid dairy products; (iii) rising concerns over food safety that favor aseptic packaging because it requires fewer preservatives and additives; and (iv) producers adopting aseptic packaging in the future because it is less costly than certain other alternatives. In the period 2009 to 2015, annual sales volume is expected to increase at a CAGR of 14.1%, amounting to approximately 84.1 billion packs in 2015. Per capita sales volume is expected to increase at a CAGR of 13.5%, from 28.7 packs per person in 2009 to 61.3 packs per person in 2015.

Competitive landscape in the PRC

According to Frost & Sullivan, the aseptic packaging market in the PRC is dominated by Tetra Pak, which has a market share of 70.2% in terms of sales volume in 2009. Tralin Pak was the second largest supplier in the PRC with a market share of 9.6% in terms of sales volume. International supplier SIG Combibloc also competes in the aseptic packaging market in the PRC using a blank-filled aseptic packaging system. Together, the top 3 aseptic packaging suppliers accounted for 88.0% of the total sales volume in 2009. The following table sets forth the ranking and market share of the largest aseptic packaging suppliers in the PRC by volume. “Others” comprise smaller local suppliers who typically serve local customers in their adjacent regions.

Ranking	Name	Market Share by Volume
1	Tetra Pak	70.2%
2	Tralin Pak⁽¹⁾	9.6%
3	SIG Combibloc	8.2%
—	Others	<u>12.0%</u>
	Total	<u><u>100%</u></u>

Note:

(1) Greatview sells its aseptic packs using the trade name Tralin Pak.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

In terms of revenue, Tetra Pak led the roll-fed aseptic packaging market in the PRC with a market share of 72.1% in 2009. SIG Combibloc was the largest blank-filled aseptic packaging supplier and the second largest aseptic packaging supplier in the PRC with a market share of 9.4% in terms of revenue in 2009. Tralin Pak was the third largest supplier in terms of revenue with a market share of 8.5% in 2009. Together, the top 3 aseptic packaging suppliers accounted for 90.0% of total revenues in 2009. The following table sets forth the ranking and market share of aseptic packaging suppliers in the PRC by revenue in 2009.

Ranking	Name	Market Share by Revenue
1	Tetra Pak	72.1%
2	SIG Combibloc	9.4%
3	Tralin Pak⁽¹⁾	8.5%
-	Others	<u>10.0%</u>
	Total	<u>100%</u>

Note:

(1) Greatview sells its aseptic packs using the trade name Tralin Pak.

Source: Frost & Sullivan

Policy support from the PRC government

The PRC government has promulgated policies to set standards for future development in the dairy industry and to ensure health and safety in the industry. These policies support the use of aseptic packaging in the dairy industry. For example, pursuant to NDRC’s Dairy Industry Policy issued on 26 June 2009, which replaces the former Dairy Industry Policy (No. 35, 2008) and Entry Criteria to Dairy Products Processing Industry (No.26, 2008), dairy packaging materials should focus on developing composite sterile packaging, multi-layer co-extruded high barrier materials, and sustainable green packaging materials. Aseptic packaging suppliers that meet this standard are better positioned compared to other suppliers in the PRC. In addition, the PRC government’s focus on health and safety, as demonstrated by the Quality and Safety of Dairy Products Regulatory Ordinance (People’s Republic of China State Council Decree No. 536), issued on 9 October 2008, also supports the use of aseptic packaging over alternative packaging formats.

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

Frost & Sullivan

Our Company commissioned Frost & Sullivan, an independent marketing and consulting agency founded in 1961, to conduct research and to prepare a report (the “**Research Report**”) on the food and beverage packaging market in Greater China, Western Europe, North America, Russia, Brazil and Mexico as well as on general economic data in China. Frost & Sullivan has more than 40 global offices and 2,000 industry consultants. Frost & Sullivan received a total commission of RMB1,000,000 for the research and preparation of the Research Report. The payment of such amount was not contingent upon [●] or on the results of the Research Report. Except for the Research Report, we did not commission any other customised report.

In the PRC, the methodology used by Frost & Sullivan involved conducting both primary and secondary research obtained from numerous sources within the beverage packaging industry in the PRC. The primary research was conducted through face-to-face and telephone interviews with experts in the industry and seasoned professionals with the major competitors of our Company. The primary research involved interviewing leading industry participants and secondary research involves reviewing company reports, independent research reports and data based on Frost & Sullivan’s research database.

In North America, Western Europe, Russia, Brazil and Mexico, primary research was conducted through telephone interviews by Frost & Sullivan analysts. Secondary research was conducted through review of publicly available documents, including company documents and research reports, as an initial platform to gather information and devise research approaches and an in-depth interview list.

Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers.

Frost & Sullivan based the Research Report on the following bases and assumptions:

- China’s social, economic, and political environment is expected to remain stable in the forecasted period, which ensures the sustained and steady development of the aseptic packaging industry.
- China’s economy is expected to maintain steady growth in the next decade.
- The total retail sales of consumer goods is expected to continue its steady increase, based on the increasing purchasing power and urbanisation of Chinese consumers.
- Chinese consumers’ rising awareness for food quality and convenience is expected to drive the growth of the ambient liquid dairy products and NCS D markets, which in turn is expected to boost the aseptic packaging market.

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- The preferences and spending power of young consumers born in the 1980s and 1990s will drive the PRC’s retail consumption trends.

The research results may be affected by the accuracy of these assumptions and the choice of these parameters.

Frost & Sullivan uses a filled volume conversion methodology in order to account for packs of different sizes (e.g. one 1000 mL pack = four 250 mL packs). This methodology is often used in the downstream beverage industry to measure the volume of beverages sold or consumed. All volume figures attributed to Frost & Sullivan are converted to 250 mL pack equivalent volumes using this methodology. This methodology differs from the raw material-based volume conversion used within the aseptic packaging industry. Please refer to the section headed “Definitions” in this document for additional information.

REGULATION OF OUR INDUSTRY

A summary of certain major laws and regulations in relation to our business is set forth below. Information contained in this section should not be construed as a comprehensive summary of laws or regulations applicable to us.

LAWS AND REGULATIONS RELATING TO FOOD SAFETY

The Food Safety Law of the PRC (中華人民共和國食品安全法) (“**Food Safety Law**”) was promulgated on 28 February 2009 by the Standing Committee of the National People’s Congress and became effective on 1 June 2009. The Implementation Regulations of the Food Safety Law (《中華人民共和國食品安全法實施條例》) (the “**Implementation Regulations**”) was subsequently promulgated on 20 July 2009 and became effective from the date of promulgation.

The Food Safety Law and its Implementation Regulations apply to the production of food, food additives, food-related products that include food containers and packaging materials, as well as other relevant products. Under this law, manufacturers who are engaged in the production of food, food additives and food related products must comply with applicable food safety standards and must satisfy inspection and approval procedures with regard to their products before sending them into the market. In addition, food manufacturers are required to check business permits and product qualification certificates of their suppliers from whom they purchase food materials, additives and related products and to inspect such products to ensure that they conform to applicable food safety standards. Any violation of the Food Safety Law and its Implementation Regulations may result in legal liabilities, such as warnings, fines, damages, or even in criminal liabilities for serious violations.

LAWS AND REGULATIONS RELATING TO QUALITY AND SAFETY OF PRODUCTS

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (“**Product Quality Law**”) was adopted by the Standing Committee of the National People’s Congress on 22 February 1993 and amended on 8 July 2000 and on 27 August 2009. Applicable to all production and marketing activities in China, the Product Quality Law was formulated to strengthen the administration of rules pertaining to product quality, as well as to clarify product liability rules, protect consumers and maintain social and economic order.

The State Council established a national administration in charge of nationwide product quality, with local authorities performing this duty at the local level. Products offered for sale must meet relevant quality and safety standards. Enterprises may not produce or market counterfeit products in any fashion, including forging brand labels or giving false information about the manufacturer of a product. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and penalties, such as compensation for damages, fines, suspension or shutdown of businesses, as well as confiscation of products illegally produced and sold and the sales proceeds from such products. Serious violations may subject the responsible individual or enterprise to criminal liabilities. Manufacturers whose products cause personal or property damages due to their latent defects are liable for such damages.

REGULATION OF OUR INDUSTRY

For the implementation of the Product Quality Law, the Regulations of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) (“**Production License Regulations**”) were promulgated on 9 July 2005 by the State Council and became effective on 1 September 2005 to regulate product quality and safety. Subsequently, on 15 September 2005, for the implementation of the Production License Regulations, the AQSIQ promulgated the Measures for the Implementation of the Regulations of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》) (“**Production License Measures**”), which came into effect on 1 November 2005 and amended on 21 April 2010 and implemented on 1 June 2010. Pursuant to the Production License Regulations and the Production License Measures, relevant authorities at the provincial level and above are responsible for issuing production licenses to enterprises engaged in the production of various industrial products crucial to public security, human health, and safety of life and property, such as meat, dairy, beverages, rice, flour, edible oil, alcohol, electric blankets, pressure pots, safety helmets, dangerous chemicals and packaging and containers for dangerous chemicals. From time to time, the AQSIQ formulates and revises an industrial product catalogue. Enterprises engaged in the production of products listed in the catalogue must apply for and obtain production licenses from competent authorities. Manufacturing such products without a valid production license is strictly prohibited. Any violation will result in warnings, fines, confiscation of products illegally produced and proceeds from their sale, or suspension or even shutdown of the business committing the violation. Criminal liabilities may also be imposed for serious violations. The valid period of the production license ranges from three to five years, and enterprises must follow the re-certification procedures before the expiration of their production licenses in order to continue their production.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) (“**Production Safety Law**”) was promulgated by the Standing Committee of the National People’s Congress on 29 June 2002 and became effective on 1 November 2002 and amended on 27 August 2009. This law provides safety standards for any production or business operation in order to reduce accidents and protect the general public security and safety of property. The State Administration of Work Safety (國家安全生產監督管理總局), a central government authority established by the State Council, is primarily responsible for supervision and administration of the Production Safety Law nationwide. Local government authorities at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdictions.

Enterprises must undertake necessary measures to set up and maintain appropriate equipment, monitor the safety of production procedures, assign designated personnel, conduct workplace safety training and undertake all other measures required by the law to ensure the safety of employees and the general public. Any responsible individual or enterprise that fails to perform its duty to meet the safety production standards may be ordered to rectify the violations within a prescribed period and/or pay a fine. Failure to rectify the violations within the prescribed period may result in suspension or shutdown of the business committing the violation. Serious violations that result in any production safety accident may subject the responsible individuals to criminal liabilities.

REGULATION OF OUR INDUSTRY

LAWS AND REGULATIONS RELATING TO PRINTING

The Regulations on the Administration of Printing Industry (《印刷業管理條例》) (“**Printing Industry Regulations**”) were promulgated by the State Council and came into force on 2 August 2001. These regulations regulate the operations of printing publications, as well as the packaging and decoration materials on printed objects, such as paper, metal and plastic. Pursuant to the Printing Industry Regulations, no one is allowed to engage in the printing business without obtaining a printing license. The printing license may not be leased, lent or transferred by any means.

Other rules and regulations for the printing industry that impact the packaging industry include:

- The Administrative Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) (“**Printing Orders Regulations**”), which were issued by the General Administration of Press and Publication (新聞出版社總署) together with the Ministry of Public Security (公安部) and took effect on 1 September 2003. Under the Printing Orders Regulations, companies engaged in the printing business are required to verify clients’ legal documents, such as business licenses and trademark registration certificates, and to file the printing records kept by the companies with competent authorities;
- The Measures on Administration of Bar Code (《商品條碼管理辦法》) issued by the AQSIQ on 30 May 2005 and the Implementation Measures on Identification of Printing Qualification of Bar Code (《商品條碼印刷資格認定工作實施辦法》) (“**Bar Code Measures**”) issued by the former State Bureau of Quality and Technical Supervision (國家質量技術監督局) on 19 July 2000. Pursuant to the aforesaid Measures, enterprises engaged in the business of printing bar codes are encouraged to be qualified and have qualification certificates issued by an organisation under the AQSIQ. The qualification certificates are valid for three years and can be renewed upon application within two months before expiry;
- The interim Provisions on the Establishment of Foreign- invested Printing Enterprises (《設立外商投資印刷企業暫行規定》) (“**Interim Provisions**”) jointly issued by the General Administration of Press and Publication and the former Ministry of Foreign Trade and Economic Cooperation (原對外貿易經濟合作部) on 29 January 2002. Under the Interim Provisions, approvals by the press and publication administration are required for the establishment of foreign-invested enterprise engaging in the printing business; and
- The Interim Measures on the Qualifications of Printing Operators (《印刷業經營者資格條件暫行規定》) issued by the General Administration of Press and Publication on 9 November 2001, which specify the qualifications required for enterprises engaged in printing operations. Printing operators must satisfy such qualification requirements in order to obtain approval for their establishment and printing licenses from the press and publication administration.

REGULATION OF OUR INDUSTRY

LAWS AND REGULATIONS RELATING TO IMPORTS AND EXPORTS

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated on 12 May 1994 and revised on 6 April 2004 by the Standing Committee of the National People’s Congress to develop foreign trade in areas such as the import and export of goods, technology and international service, and to maintain order in foreign trade and promote the advancement of China’s economy. The Foreign Trade Law requires enterprises engaged in foreign trade to register with the relevant divisions of foreign economic relations and trade under the State Council and obtain permissions for their foreign trade operations, if necessary. In addition, the Foreign Trade Law addresses such issues as intellectual property infringement, unfair competition, tax evasion and civil and criminal liabilities for violations of the foreign trade orders.

The Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) was promulgated by the Standing Committee of the National People’s Congress on 21 February 1989 and revised on 28 April 2002. For the implementation of the Law of the PRC on Import and Export Commodity Inspection, the Regulations for the Implementation of the Law of the Peoples Republic of China on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) were passed by the State Council on 10 August 2005 and came into force on 1 December 2005. The main objectives of this law and its implementing regulations are to strengthen the inspection of, and ensure the quality of, import and export commodities to protect the lawful rights and interests of the parties involved in foreign trade, and to promote the development of China’s economic and trade relations with foreign countries. A central government authority oversees inspections, while local authorities perform inspections in areas under their jurisdiction. Such inspections cover quality, specifications, quantity, weight and packaging and requirements for safety, hygiene, health, environmental protection and anti-fraud protection, among others, and are governed by compulsory standards or other inspection standards under the law. Any violation of the relevant provisions of this law, such as evading commodity inspections, may result in fines and other penalties. Serious violations may subject the responsible individual or enterprise to criminal liabilities.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) (“**Environmental Protection Law**”), which was promulgated by the Standing Committee of the National People’s Congress and came into effect on 26 December 1989, sets forth the legal framework for environmental protection in China. The Ministry of Environmental Protection (環境保護部) is primarily responsible for overall supervision and administration of nationwide environmental protection, while local environmental protection authorities at the county level and above are responsible for environmental protection within their respective jurisdictions.

According to the Environmental Protection Law, any enterprise involved in a construction project that may generate pollution must prepare, for prior approval by relevant environmental protection authorities, an environmental impact report assessing the pollution and environmental impact of the construction project and setting forth prevention and treatment measures. Mandatory environmental protection facilities must be simultaneously designed, built and put into operation.

REGULATION OF OUR INDUSTRY

Construction projects are not permitted to be put into use until the facilities have passed inspections by the environmental protection authorities. Environmental protection facilities may not be dismantled or idled without authorisation. Where it is necessary to dismantle or idle such installations, prior approval must be obtained from the local environmental protection authorities.

Enterprises engaged in operations that impact environmental conditions are required to adopt certain measures and systems in their operations to effectively prevent and control environmental pollution caused by waste gas, water and solids as well as noise. Enterprises that discharge contaminants must report to and register with the Ministry of Environmental Protection or their local counterparts and must pay discharge fees in accordance with the applicable regulations.

A person or an enterprise falling to comply with the Environmental Protection Law may be subject to various penalties imposed by environmental protection authorities, depending on the individual circumstances of each case and the extent of contamination. Such penalties may include warnings, fines, imposition of deadlines for remedying the contamination, orders to suspend production or use, orders to re-install contamination prevention and treatment facilities that have been removed without permission or left unused, or orders to close down enterprises. In case of serious violations, the persons or enterprises responsible for the violation may be required to compensate any parties affected by the contamination and may also be subject to criminal liabilities.

The Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) were promulgated by the State Council on 29 November 1998 and came into force on the same date. These regulations are formulated specifically to govern the environmental protection issues to that may arise in connection with construction projects that may generate pollution and damage the ecological environment.

The Law of the People’s Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) promulgated on 5 September 1987 and revised respectively on 29 August 1995 and on 29 April 2000, the Law of the People’s Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated on 11 May 1984 and revised respectively on 15 May 1996 and on 28 February 2008, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Noise (《中華人民共和國環境噪聲污染防治法》) promulgated on 29 October 1996 and the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated on 30 October 1995 and revised on 29 December 2004 set out, respectively, the regulations governing the prevention and control of air, water, noise and waste pollution in order to protect and improve the environment, safeguard public health and promote economic and social development. In particular, these laws stipulate concrete requirements for prevention and control of air, water, noise and solid waste pollution for a variety of activities, including residential, production and operation activities.

REGULATION OF OUR INDUSTRY

Enterprises failing to comply with the provisions of the laws on the prevention and control of air, water, noise or solid waste pollution may be subject to warnings, fines, suspension of operations and closure of business, as determined by the relevant environmental protection authorities. Enterprises that cause air, water, noise or solid waste pollution are obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. Criminal liabilities may also be imposed for serious violations.

LAWS AND REGULATIONS RELATING TO COMPETITION AND ANTITRUST LAWS

We are subject to competition and anti-trust laws in the countries in which we operate. At present, more than 100 countries world-wide have adopted competition laws, including the European Union and the PRC, where we operate. In the European Union, the main rules are set forth in the Treaty on the Functioning of the European Union. In the PRC, the main rules are laid out in the Antimonopoly Law of the People’s Republic of China of 30 August 2007, which entered into force on 1 August 2008.

In summary, the main types of conduct that are prohibited under such competition laws in most jurisdictions comprise restrictive agreements and practices (such as price fixing or market sharing arrangements) as well as abuses of dominance (such as excessive pricing, predatory pricing, discrimination practices, refusal to deal, exclusivities obligations and bundling practices).

Under the second rule in particular, where a supplier with a dominant market position is an unavoidable trading partner, exclusive purchasing obligations imposed on customers, leading to restrictions of competition will generally be prohibited.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Development of our business

The history of our Group can be traced back to late 2001, when Tralin Paper, a company controlled by Mr Li, together with Liu Baozhong and Li Donghua, two Independent Third Parties, established Shandong Tralin Packaging, each holding approximately 93.4%, 3.3% and 3.3% of the equity interest in Shandong Tralin Packaging, respectively. Our first production line is located at our factory in Gaotang County, Shandong Province, the PRC. Initially, Shandong Tralin Packaging focused on the production and sale of multi-layered packaging materials, paper cartons and other paper packages for beverage companies in the PRC, with limited success, due to low barriers of entry and intense competition amongst producers of beverage containers, such as plastic bottles and tin cans.

In 2003, Mr Bi and Mr Hong, joined Shandong Tralin Packaging. Drawing on their many years of experience in the aseptic packaging industry, they started our aseptic packaging business. Around the same time, Mr Chen and Mr Yang who each respectively have extensive technical and sales knowledge and experience in the industry joined our Group as members of our senior management team. Leveraging their significant industry experience, our senior management streamlined our business and equipment for the production of aseptic packs, as well as the spare parts for roll-fed filling machines, and the provision of related technical support services. We established our Beijing R&D Centre in 2004, which focuses on the development of aseptic packaging materials that are compatible with industry standard roll-fed filling machines, as well as spare parts for such standard roll-fed filling machines. For our new business initiative, we obtained financing from Tralin Paper throughout 2003 to 2007. Such financing mainly consisted of an interest-free deferred payment for our purchase of property, plant, equipment and other fixed assets for our business. As at 3 May 2005, such financing amounted to the RMB equivalent of approximately US\$37 million. As at 28 August 2006, such financing amounted to the RMB equivalent of US\$22.58 million.

In 2004, we began producing aseptic packaging compatible with industry standard roll-fed filling machines. Subsequently we began commercial production of aseptic packs which come in two general forms - in carton form under the name “Tralin Brick” and in soft pouch form under the name “Tralin Pilo”, and gradually phased out our paper cartons business. By the end of 2004, we achieved annual production volume of approximately 333.7 million packs.

In December 2004, Shandong Tralin Packaging underwent a restructuring to become a wholly foreign owned enterprise, which was approved by the PRC authorities on 17 January 2005. In 2005, we established our Shanghai R&D Centre, which focuses on research and development of spare parts and filling machines. During 2005 to 2006, our Group obtained additional equity investments from financial investors CDH Packaging and Bain Capital, which we used to repay the financing from Tralin Paper as well as to increase our production capacity. After Bain Capital’s investment in our Group, we repaid the RMB equivalent of US\$17.58 million to Tralin Paper by 18 September 2006 and the RMB equivalent of the remaining US\$5 million was fully repaid by 28 December 2007.

As our products gained customer acceptance, we began securing sales orders from domestic and international beverage companies operating in the PRC such as Huierkang, as well as dairy product companies in the PRC, such as Mengniu. By the end of 2006, our cumulative production volume was approximately 2.0 billion packs.

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In 2007, we secured approvals from the PRC authorities to build a second production line at our factory in Gaotang County, Shandong Province, the PRC, next to our first production line. Our first production line was dedicated for orders from our customers, whilst our second production line focused on smaller orders. From time to time, we also used our second production line to carry out tests for trial productions and to look for ways to decrease wastage and achieve the optimal balance between production capacity and cost of production. On 21 December 2007, our subsidiary, Shandong Tralin Packaging, established Beijing Tralin to focus on servicing our customers’ standard roll-fed filling machines and providing spare parts. By the end of 2007, our cumulative production volume was approximately 3.8 billion packs.

With increased orders from dairy producers in 2008, we began to plan for further expansion of our production capacity by establishing a new factory in the Inner Mongolia Autonomous Region, the dairy capital of the PRC. On 24 October 2008, our subsidiary Greatview established Inner Mongolia Greatview Aseptic Packaging. On 23 September 2009, Inner Mongolia Greatview Aseptic Packaging acquired the land use rights in Helingeer, Inner Mongolia Autonomous Region, the PRC. Construction of our Helingeer Factory was completed in February 2010. On 26 May 2010, we obtained provisional production permit from the PRC authorities. Trial production and testing had begun at our Helingeer Factory and we expect a full commercial production by the end of 2010 upon receiving a formal production license from the PRC authorities.

On 27 April 2009, our subsidiary, Shandong Tralin Packaging, established Tralin Pak Europe as our strategy to expand our business in Europe.

On 18 March 2010, our subsidiary, Greatview, established Beijing Greatview which is mainly engaged in the wholesale of aseptic paper packaging products, and the import of raw materials and the export of finished products.

Once our production line at the Helingeer Factory becomes fully operational, we expect it to increase our annual production capacity to approximately 9.4 billion packs by the end of 2010. From 2003 to 2009, our cumulative production volume was approximately 10.3 billion packs.

History of Shandong Tralin Packaging

Shandong Tralin Packaging was established as a domestic limited liability company on 28 December 2001. At the time, Shandong Tralin Packaging had a registered capital of RMB3 million, and its shareholders were Tralin Paper, Li Donghua and Liu Baozhong, each with a registered capital contribution of RMB2.8 million, RMB0.1 million and RMB0.1 million, respectively. At the time, the business scope of Shandong Tralin Packaging was manufacturing and sales of laminated flexible packaging materials, paper boxes and other containers. Shandong Tralin Packaging is the registered owner of our two production lines in Gaotang County, Shandong Province, the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 15 March 2003, each of Mr Gao (the brother of Mr Bi) and Mr Hong reached an agreement with Li Donghua and Liu Baozhong respectively, under which each of Mr Gao and Mr Hong purchased approximately 3.3% of the equity interest in Shandong Tralin Packaging from each of Li Donghua and Liu Baozhong for RMB0.1 million respectively, based on the then paid up registered capital of Shandong Tralin Packaging of RMB3 million. Mr Gao and Mr Hong used their own funds to complete the transfer. On 1 April 2003, its registered capital was increased from RMB3 million to RMB20 million, with cash contributions from each of Tralin Paper, Mr Gao and Mr Hong for RMB13.2 million, RMB1.9 million and RMB1.9 million respectively. Upon completion of the transfer of equity interest and registered capital increase, Tralin Paper, Mr Gao and Mr Hong each owned RMB16 million, RMB2 million and RMB2 million in the registered capital of Shandong Tralin Packaging respectively, representing 80%, 10% and 10% equity interest in Shandong Tralin Packaging respectively.

As of 18 September 2010, the registered capital of Beijing Greatview was fully paid up in cash.

On 10 December 2004, to restructure Shandong Tralin Packaging into a wholly foreign owned enterprise, Tralin Paper, Mr Gao and Mr Hong entered into an agreement for the transfer of equity interest in Shandong Tralin Packaging with Greatview, whereby Greatview acquired 100% equity interest in Shandong Tralin Packaging for RMB20 million, based on the then paid up registered capital of Shandong Tralin Packaging of RMB20 million. The PRC authorities approved the transfer of equity interest of Shandong Tralin Packaging on 17 January 2005 and Shandong Tralin Packaging became a wholly foreign owned enterprise with a registered capital of US\$2.42 million.

On 9 April 2005, Shandong Tralin Packaging passed a board resolution whereby the registered capital of Shandong Tralin Packaging was increased to US\$22.4 million through capital contributions in cash from Greatview. The PRC authorities approved the increase in registered capital of Shandong Tralin Packaging on 27 April 2005.

On 24 May 2005, Tralin Paper and Shandong Tralin Packaging entered into an agreement for transfer of assets with a value of RMB191,811,286.39 to Shandong Tralin Packaging, which comprised, among others, factory buildings and key production equipment and devices.

On 10 July 2006, Shandong Tralin Packaging passed a board resolution whereby the registered capital of Shandong Tralin Packaging was increased to US\$40 million through capital contributions in cash from Greatview. The PRC authorities approved the increase in registered capital of Shandong Tralin Packaging on 24 July 2006. As of the Latest Practicable Date, the registered capital of Shandong Tralin Packaging was fully paid up in cash.

History of our other subsidiaries incorporated in the PRC and Europe

Beijing Tralin was established as a domestic limited liability company on 21 December 2007 with a registered capital of RMB10 million, and its sole shareholder was Shandong Tralin Packaging. The business scope of Beijing Tralin includes processing and sale of filling machines and paper products, service consultation, technical service, transfer and development of technology, leasing of packaging machines and equipment. As of the Latest Practicable Date, the registered capital of Beijing Tralin was fully paid up in cash.

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Inner Mongolia Greatview Aseptic Packaging was established as a wholly foreign owned enterprise on 24 October 2008. At the time of establishment, Inner Mongolia Tralin Packaging had a registered capital of US\$20 million, and its sole shareholder was Greatview. The business scope of Inner Mongolia Greatview Aseptic Packaging includes manufacturing, printing and sale of aseptic packaging for liquid food. Inner Mongolia Tralin Packaging is the registered owner of our Helingeer Factory in the PRC. As of the Latest Practicable Date, the registered capital of Inner Mongolia Greatview Aseptic Packaging was fully paid up in cash.

Beijing Greatview was established as a wholly foreign owned enterprise on 18 March 2010. At the time, Beijing Greatview had a registered capital of US\$0.75 million, and its sole shareholder was Greatview. The business scope of Beijing Greatview includes wholesale of paper packaging for liquid food, polymer, aluminium foil, LPB and machinery, import & export, technical development and technical services. The registered capital of Beijing Greatview has been paid up.

Our PRC legal adviser, Commerce & Finance Law Offices, has confirmed that all of the above transfers of equity interests, increase in registered capital and transformation from domestic companies into wholly foreign owned enterprises are valid and were in full compliance with all applicable PRC laws and regulations.

Tralin Pak Europe was established as a limited liability company in Zurich, Switzerland on 27 April 2009 with a paid up registered capital of 50,000 Swiss Francs, and its sole shareholder was Shandong Tralin Packaging. Its primary business is the sales of packaging solutions for the liquid food industry in Europe. Tralin Pak Europe will be the registered owner of our new factory in Germany. On 11 August 2010, Greatview acquired the entire issued share capital of Tralin Pak Europe for 50,000 Swiss Francs, its paid up registered capital amount from Shandong Tralin Packaging and the Swiss authorities approved the transfer of shares. As of the Latest Practicable Date, the issued share capital of Tralin Pak Europe was fully paid up in cash.

Establishment of our other subsidiaries in Hong Kong and BVI

Greatview was incorporated in Hong Kong as a limited liability company on 8 November 2004 as an investment holding vehicle and on 2 December 2004, Hexis acquired its only one share then in issue. On 11 November 2010, Partner One applied US\$10 million, being interest-free loan due from Greatview, to subscribe for 9,999 new ordinary shares of HK\$1.00 in Greatview.

Partner One was incorporated in the BVI with limited liability on 23 July 2010 as an investment holding vehicle. On 16 August 2010, Partner One issued and allotted 1 ordinary share of US\$1.00 to our Company and became part of our Group. On 11 November 2010, our Company applied US\$10 million, being interest-free shareholder's loan due from Partner One, to subscribe for one new ordinary share of US\$1.00 in Partner One.

Save as disclosed above and in this document, the above companies have not carried out other business activities since they became part of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 July 2010 with one Share issued and allotted as fully paid Shares to Codan Trust Company (Cayman) Limited, and such Share was transferred to Hexis on the same day at par. As Mr Bi and Mr Hong are the founders of our Group’s business, in recognition of their contributions to our Group’s business and growth, they were appointed as CEO and Chairman of the Company, respectively.

History of Hexis

Hexis was incorporated in the BVI with limited liability on 21 July 2004 as an investment holding vehicle. On 7 August 2004, Hexis issued and allotted 1 Hexis Ordinary Share to Stellar and 9 Hexis Ordinary Shares to Wiseland, all fully paid up, at par value per share. At the time of incorporation, Mr Li was the sole shareholder of Stellar. In respect of Wiseland, each of Mr Gao (the brother of Mr Bi) and Mr Hong were the beneficial owners of 40% interest in Wiseland respectively and the remaining 20% interest in Wiseland was held by Mr Bi on trust for the senior management of Shandong Tralin Packaging, the beneficiaries of which and their respective entitlements are to be determined by Mr Hong and Mr Gao jointly in writing pursuant to the declaration of trust dated 7 August 2004 given by Mr Bi creating such trust.

In anticipation of CDH Packaging’s investment in our Group, on 6 June 2005, each of Wiseland and Stellar subscribed in cash for 91 Hexis Ordinary Shares and 149 Hexis Ordinary Shares respectively, all fully paid up, at par value per share. Upon completion of the subscriptions and immediately prior to completion of the investment by CDH Packaging, Hexis was owned as follows:

Name	Hexis Ordinary Shares	Hexis Series A Preference Shares	Hexis Series B Preference Shares	Total shares in Hexis (on a fully converted basis)	Percentage shareholding in Hexis (on a fully converted basis)
Stellar	150	—	—	150	60%
Wiseland	100	—	—	100	40%
Total	250	—	—	250	100%

In September 2006, out of the 20% interest in Wiseland held by Mr Bi on trust for the senior management of Shandong Tralin Packaging to be determined by Mr Hong and Mr Gao jointly in writing, Mr Gao and Mr Hong jointly directed Mr Bi to transfer 0.8% interest in Wiseland (originally held by Mr Bi on trust for the senior management of Shandong Tralin Packaging) to each of Mr Chang, Mr Chen and Mr Yang respectively and to hold a further 3.2% interest in Wiseland (originally held by Mr Bi on trust for the senior management of Shandong Tralin Packaging) on trust for each of Mr Chang, Mr Chen and Mr Yang respectively in recognition of their services to our Group. At the same

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time, out of the 40% interest in Wiseland beneficially owned by each of Mr Hong and Mr Gao, each of them settled a further 10.4% interest in Wiseland respectively to Mr Bi, as trustee holding on trust for the senior management of Shandong Tralin Packaging. Upon completion of such directions and transfers, Wiseland was beneficially owned by Mr Hong as to 29.6%, Mr Gao as to 29.6%, each of Mr Chang, Mr Chen and Mr Yang as to 4% respectively and Mr Bi (holding on trust for members of the senior management of Shandong Tralin Packaging) as to the remaining 28.8%.

In June 2008, Mr Gao and Mr Hong jointly directed Mr Bi to transfer 4% interest in Wiseland (originally held by Mr Bi on trust for members of the senior management of Shandong Tralin Packaging) to Mr Berggren for retaining his services for our Group. With the implementation of such direction, Wiseland was beneficially owned by Mr Hong as to 29.6%, Mr Gao as to 29.6%, each of Mr Berggren, Mr Chang, Mr Chen and Mr Yang as to 4% respectively and Mr Bi (holding on trust for members of the senior management of Shandong Tralin Packaging) as to the remaining 24.8%.

Mr Bi did not receive any consideration (other than a nominal consideration of US\$1.00 for each 0.1% interest in Wiseland so transferred) for the transfers of interest in Wiseland, as the transfers were implemented pursuant to the joint direction of Mr. Hong and Mr. Gao by Mr. Bi, as trustee from the trust for the senior management of Shandong Tralin Packaging, to its beneficiaries, being members of the senior management of Shandong Tralin Packaging.

Investments in our Group

(a) Investment by CDH Packaging

On 6 June 2005, CDH Packaging subscribed for (i) 300 Hexis Series A Preference Shares for an aggregate consideration of US\$20 million in cash; and (ii) 75 Hexis Ordinary Shares for an aggregate consideration of US\$75 in cash, equal to the aggregate par value of these shares. Simultaneously, CDH Packaging and Wiseland also agreed to the Earn Out Arrangement, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Investments in our Group — Earn Out Arrangement” below. Our Group applied the investment from CDH Packaging to partially repay the financing from Tralin Paper for the acquisition of property, plant, equipment and other fixed assets for our operational use from Tralin Paper.

CDH Packaging is an investment holding company incorporated in BVI and which is wholly-owned by CDH. CDH is an exempted limited partnership organized and existing under the laws of the Cayman Islands focusing on making private equity investments in China. Its general partner is CDH China Growth Capital Holdings Company Limited, a Cayman Islands exempted limited liability company. Its limited partners include institutional investors such as pension funds, endowments, foundations, funds of funds and financial institutions. It is managed by CDH Investment Advisory Private Limited, a limited liability company incorporated in Singapore.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The consideration for the subscription of the Hexis Series A Preference Shares were arrived at after arms-length negotiation between Wiseland, Stellar and CDH Packaging with reference to the financial position and net asset value of our Group at the time together with financial data of other companies in the paper packaging industry at the time. Upon completion of the above subscriptions, Hexis was owned as follows:

Name	Hexis Ordinary Shares	Hexis Series A Preference Shares	Hexis Series B Preference Shares	Total shares in Hexis (on a fully converted basis)	Percentage shareholding in Hexis (on a fully converted basis)
CDH Packaging	75	300	—	375	60%
Stellar	150	—	—	150	24%
Wiseland	100	—	—	100	16%
Total	325	300	—	625	100%

(b) Investment by Bain Capital

On 13 September 2006, Bain Capital subscribed for (i) 400 Hexis Series B Preference Shares for an aggregate consideration of US\$40 million in cash; and (ii) 75 Hexis Ordinary Shares for an aggregate consideration of US\$75 in cash, equal to the aggregate par value of these shares. Simultaneously, Bain Capital and Wiseland agreed to the Earn Out Arrangement and CDH and Wiseland also agreed to revise the Earn Out Arrangement, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Investments in our Group — Earn Out Arrangement” below. Our Group applied part of the investment from Bain Capital to repay the remaining financing from Tralin Paper for the acquisition of property, plant, equipment and other fixed assets for our business from Tralin Paper, and the remainder to partly finance the construction of our Helingeer Factory.

Bain Capital is an exempted limited partnership established in the Cayman Islands on 8 August 2006, which is an investment holding company controlled by its general partner, Bain Capital Investors, LLC, a Delaware (USA) limited liability company. Limited partners of Bain Capital TP Holdings, L.P. include various private investment funds advised by or associated with Bain Capital Partners, LLC, a Delaware (USA) limited liability company and an investment adviser registered with the United States Securities and Exchange Commission. Investors in these private investment funds include institutional investors such as pension funds, endowments, foundations, fund of funds and financial institutions.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The consideration for the subscription of the Hexis Series B Preference Shares were arrived at after arms-length negotiation between Wiseland, Stellar, CDH Packaging and Bain Capital with reference to the financial position and future earning capacity of our Group together with financial data of other companies in the paper packaging industry at the time. Upon completion of the above subscriptions, Hexis was owned as follows:

Name	Hexis Ordinary Shares	Hexis Series A Preference Shares	Hexis Series B Preference Shares	Total shares in Hexis (on a fully converted basis)	Approximate percentage shareholding in Hexis (on a fully converted basis)
Bain Capital	75	—	400	475	43.2%
CDH Packaging	75	300	—	375	34.1%
Stellar	150	—	—	150	13.6%
Wiseland	100	—	—	100	9.1%
Total	400	300	400	1,100	100.0%

(c) Acquisition of Hexis Ordinary Shares from Stellar

On 18 December 2009, Stellar transferred 75 Hexis Ordinary Shares to Bain Capital, 59,211 Hexis Ordinary Shares to CDH Packaging and 15,789 Hexis Ordinary Shares to Wiseland respectively, which was in proportion to the percentage shareholding in Hexis on a fully converted basis for each of the purchasers. The aggregate consideration for the transfers is US\$32,577,865.96 in cash. The consideration for the transfers was arrived at after arms-length negotiation between Wiseland, Stellar, CDH Packaging and Bain Capital with reference to the future earning capacity of our Group together with financial data of other companies in the paper packaging industry at the time. Upon completion of the above transfers, Hexis was owned as follows:

Name	Hexis Ordinary Shares	Hexis Series A Preference Shares	Hexis Series B Preference Shares	Total shares in Hexis (on a fully converted basis)	Approximate percentage shareholding in Hexis (on a fully converted basis)
Bain Capital	150	—	400	550	50.0%
CDH Packaging	134,211	300	—	434,211	39.5%
Wiseland	115,789	—	—	115,789	10.5%
Total	400	300	400	1,100	100.0%

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Each of CDH Packaging and Bain Capital financed its purchase of Hexis Ordinary Shares from its own resources. To finance Wiseland’s acquisition of the proportionate Hexis Ordinary Shares sold by Stellar, on 18 December 2009, Hexis provided a loan of an aggregate amount equal to US\$3,429,249.05 to the then registered shareholders of Wiseland (“**Wiseland Loan**”), secured by a share charge over 15.789 Hexis Ordinary Shares given by Wiseland in favour of Hexis. Simple interest is charged on the outstanding amount of the Wiseland Loan at the rate of 6% per annum for the first 24 months, 8% per annum for the next 12 months and 10% per annum thereafter until full repayment, and interest to be paid in arrears on the maturity date for the Wiseland Loan. The maturity date is the earlier of (i) 48 months from the date of drawdown of the Wiseland Loan and (ii) 4 February 2010.

(d) Earn Out Arrangement

As part of the terms of investment by CDH Packaging into our Group, in June 2005, CDH Packaging, Hexis and our founding shareholder Wiseland agreed to the Earn Out Arrangement, where the 75 Hexis Ordinary Shares subscribed by CDH Packaging, together with the relevant documents to effect the transfer of such shares (“**Escrow Documents**”), were placed in escrow with an escrow agent (the “**Escrow Agent**”), an Independent Third Party. The title and rights to the 75 Hexis Ordinary Shares, in particular dividend and voting rights, remained with CDH Packaging throughout the escrow period.

Similarly, as part of the terms of investment by Bain Capital into our Group, in September 2006, Bain Capital, Hexis and Wiseland agreed to the Earn Out Arrangement, where the 75 Hexis Ordinary Shares subscribed by Bain Capital together with the corresponding Escrow Documents were placed in escrow with the Escrow Agent. The title and rights to these 75 Hexis Ordinary Shares, in particular dividend and voting rights, remained with Bain Capital throughout the escrow period. At the same time, the Earn Out Arrangement between CDH Packaging, Hexis and Wiseland were amended so that the two Earn Out Arrangements are substantially similar.

On 10 November 2010, each of CDH Packaging and Bain Capital entered into a supplemental agreement with Hexis, Wiseland and the Escrow Agent to amend the subject company for determining some of the financial targets from Hexis to our Company. The following relevant financial targets were set (“**Financial Targets**”), and if they were met, the Escrow Agent will release the Escrow Documents of the corresponding number of Hexis Ordinary Shares from escrow to Wiseland to effect a transfer of such Hexis Ordinary Shares from each of CDH Packaging or Bain Capital to Wiseland respectively:

- (a) if CDH Packaging or Bain Capital (as the case may be) (“**Disposing Shareholder**”) disposes all of its Hexis Preference Shares, and if (1) the IRR (as defined below) based on the original amount invested by the Disposing Shareholder in our Group is 25% or more, then the Escrow Documents for those Hexis Ordinary Shares still in escrow for that Disposing Shareholder and Wiseland will be released to Wiseland; or (2) if such IRR is less than 25%, then the number of Hexis Ordinary Shares (not exceeding those Hexis Ordinary Shares still in escrow for that Disposing Shareholder and Wiseland) required to be disposed in conjunction with the disposal of such Hexis Preference Shares in order for such IRR of that Disposing Shareholder to achieve 25%, will be calculated, and the Escrow Documents

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

for the difference between (i) those Hexis Ordinary Shares still in escrow for that Disposing Shareholder and Wiseland; and (ii) the number of Hexis Ordinary Shares calculated above, will be released from the escrow between Wiseland and that Disposing Shareholder to Wiseland.

“IRR” refers to the annual compound rate expressed as a percentage based on a 365-days period used to discount each cash flow in respect of such shares (for example the original investment, subsequent dividends, interests and distributions paid, return to capital and/or proceeds from disposal of, such shares) to such date when the holder disposes all such shares or has all such shares redeemed, such that the present value (as of the date of the original investment) of the aggregate cash flows in respect of such shares equals zero.

- (b) if the average of the audited combined net profit of our Company (after taxation and before extraordinary items and after subtracting minority interests) for the two financial years ended 31 December 2008 and 2009 in accordance with IFRS, as derived from the audited financial statements of our Company and subsidiaries for each of the years ended 31 December, 2007, 2008 and 2009, and the six months period ended 30 June 2009 and 2010 (“**2008 Mean Performance**”) reached US\$14 million (“**2008 Mean Performance Threshold**”) or more, then the Escrow Documents for the following number of Hexis Ordinary Shares (to the extent not already released will be released from each of the escrow arrangements between Wiseland and each of CDH Packaging and Bain Capital to Wiseland for the following 2008 Mean Performance figures:

2008 Mean Performance (US\$)	Number of Hexis Ordinary Shares
US\$14 million or more	15
US\$15 million or more	30
US\$16 million or more	45
US\$17 million or more	60
US\$18 million or more	75

- (c) if the audited combined net profit of our Company (after taxation and before extraordinary items and after subtracting minority interests) for the financial year ending 31 December 2010 in accordance with IFRS (“**2010 Performance**”) reaches US\$22 million (“**2010 Performance Threshold**”) or more, then the Escrow Documents for all remaining Hexis Ordinary Shares will be released from the escrow arrangement between Wiseland and Bain Capital to Wiseland.

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The Financial Target for the 2008 Mean Performance Threshold was met and on [22 November] 2010, each of CDH Packaging and Bain Capital transferred 75 Hexis Ordinary Shares to Wiseland pursuant to the Earn Out Arrangement. Upon completion of the aforesaid transfers, Hexis was owned as follows:

Name	Hexis Ordinary Shares	Hexis Series A Preference Shares	Hexis Series B Preference Shares	Total shares in Hexis (on a fully converted basis)	Approximate percentage shareholding in Hexis (on a fully converted basis)
Bain Capital	75	—	400	475	43.2%
CDH Packaging	59,211	300	—	359,211	32.7%
Wiseland	265,789	—	—	265,789	24.1%
Total	400	300	400	1,100	100.0%

In addition, Bain Capital and Wiseland also agreed that if Bain Capital achieves the IRR based on the original amount invested by Bain Capital in our Group of 25% or more when it disposes any or all of its Hexis Preference Shares and Shares acquired by it pursuant to the Recorganisation, then Bain Capital will transfer to Wiseland [●] Shares within 30 days after Bain Capital receives the proceeds from such disposal, but if the non-disposal undertakings given by Bain Capital to the [●] have not expired, then such Shares will be transferred on the date when such undertakings expire. Wiseland also agreed that if it receives the [●] Shares from Bain Capital, it shall transfer 29.4%, 4%, 4%, 4%, 4% and 4% of such Shares to Phanron, Hillma, Goldmap, Parview, Schwartz and Wallson respectively.

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RIGHTS OF HEXIS SHARES

The Hexis Preference Shares carry all the rights of Hexis Ordinary Shares, with voting and dividend rights on a pari passu basis. The articles of association of Hexis provide that there are no separate meetings for holders of different classes of Hexis Shares, but only one meeting for all classes of Hexis Shares, with each Hexis Share entitled to one vote at such meeting. The Hexis Preference Shares also have the following additional material rights:-

- (i) on a return of capital upon the winding up or liquidation of Hexis (other than a redemption of Hexis Series A Preference Shares or Hexis Series B Preference Shares), the assets of Hexis available for distribution amongst its shareholders will be paid: (1) firstly to holders of Hexis Preference Shares for an aggregate amount up to the original amount invested for such Hexis Preference Shares together with an annual rate of return of 5 per cent (5%) from the date of the original investment for such Hexis Preference Shares to the date of return of such capital; (2) secondly to holders of Hexis Ordinary Shares for an aggregate amount up to the aggregate par value of the Hexis Ordinary Shares; and (3) finally to the holders of Hexis Shares on a pari passu basis;
- (ii) subject to adjustment, each Hexis Preference Share is convertible into one Hexis Ordinary Share respectively, at the discretion of its holder;
- (iii) if a closing of a firm commitment, [●] with [●] of at least US\$75 million has not taken place by 6 June 2009, the holders of Hexis Preference Shares are entitled to require Hexis to redeem all or part of the outstanding Hexis Preference Shares (at the discretion of the holders) at an aggregate consideration equal to: (1) for Hexis Series A Preference Shares, the original amount invested by CDH Packaging for the Hexis Series A Preference Shares plus a return calculated on the basis of an IRR of 15% (“**Preferred Return**”); or (2) for Hexis Series B Preference Shares, the original amount invested by Bain Capital for the Hexis Series B Preference Shares plus the Preferred Return; and
- (iv) on redemption of both Hexis Series A Preference Shares and Hexis Series B Preference Shares, the redemption shall be on a pro-rata basis, provided that on such redemption, if the laws of BVI do not permit such redemption in full, then the redemption shall be made in the following order: (1) firstly to the holders of Hexis Series B Preference Shares up to the original amount invested by Bain Capital for the Hexis Series B Preference Shares to be redeemed; (2) secondly to the holders of Hexis Series A Preference Shares up to the original amount invested by CDH Packaging for the Hexis Series A Preference Shares to be redeemed; and (3) finally the Preferred Return for the Hexis Series A Preference Shares and Hexis Series B Preference Shares to be redeemed on a pari passu basis.

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As at the Latest Practicable Date, each of CDH Packaging and Bain Capital, the holders of Hexis Preference Shares, had not exercised their rights to require Hexis to redeem the Hexis Preference Shares. The holders of Hexis Preference Shares also have customary [●] demand registration and piggy-back registration rights to require our Group to conduct an [●].

In addition, the board of directors for Hexis and each of the companies within our Group consisted of no more than seven directors. Each of Bain Capital, CDH Packaging and Wiseland has the right to nominate 2 directors, and Stellar had the right to nominate 1 director prior to the transfer of Hexis Ordinary Shares from Stellar to the remaining shareholders of Hexis, and Bain Capital took over the right to nominate 1 further director from Stellar after completion of the transfer. Prior unanimous approval of all directors of Hexis are required for matters relating to any company within our Group on the sale or disposal or creation of encumbrance over all or substantially all of its assets, merger or amalgamation, external investments and/or establishment of joint ventures with any entity or transfer of Hexis Shares to our direct competitor, including but not limited to Tetra Pak and its associates. Prior approval of the directors of Hexis nominated by shareholders holding at least 90% of the issued share capital of Hexis are also required for matters relating to any company within our Group on, amongst other things, changes to its business scope, board structure and constitutional documents, issue of any shares or securities (other than for an [●] which only requires the approval of holders of Hexis Preference Shares), redemption or repurchase of securities (other than redemption of Hexis Preference Shares or repurchase of Hexis Ordinary Shares from Wiseland), sale of the majority of the assets or voting rights of any of its subsidiary, winding-up and liquidation, transactions with any of its shareholders, directors, any member of our senior management team or their respective associates.

Furthermore, each shareholder of Hexis have a right of first refusal over any sale of Hexis Shares by other shareholders of Hexis on the same terms, and tag along right to sell a proportionate number of Hexis Shares on the same terms if the right of first refusal is not exercised. However, if any holder of Hexis Preference Shares proposes to sell Hexis Preference Shares (“**Selling Hexis Shareholder**”) to our competitor, each of the other shareholders of Wiseland has the right to require the Selling Hexis Shareholder to refrain from such sale. If the right to refrain such sale is exercised, the Selling Hexis Shareholder then has the right to sell all such Hexis Preference Shares to the other shareholders of Hexis at a consideration that would give it an IRR of 25% on the original investment cost for those Hexis Preference Shares.

Other than the above rights, the holders of the Hexis Preference Shares have the same rights generally available to the holders of Hexis Ordinary Shares. All the above rights applicable to our Group shall lapse upon [●].

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OUR REORGANISATION

Reorganisation

As at 11 November 2010, our Group owes US\$60 million interest-free loan to Hexis. On 11 November 2010, Partner One applied US\$10 million interest-free loan owed by Greatview to it to subscribe for 9,999 ordinary shares of HK\$1.00 each in the share capital of Greatview. On 11 November 2010, our Company applied US\$10 million interest-free loan owed by Partner One to it to subscribe for 1 ordinary share of US\$1.00 in the share capital of Partner One.

In preparation for [●], on 15 November 2010, the authorised share capital of our Company was increased from HK\$390,000 to HK\$[●] by the creation of an additional [●] Shares.

[On 19 November] 2010, each of Mr Berggren, Mr Chang, Mr Chen, Mr Gao (the brother of Mr Bi), Mr Hong and Mr Yang transferred their respective 4%, 4%, 4%, 29.4%, 29.4% and 4% interest in Wiseland to Schwartz, Goldmap, Hillma, Foxing, Phanron and Wallson respectively, being companies wholly owned by each of them. On the same date, Mr Bi, as trustee holding on trust for the senior management of Shandong Tralin Packaging, transferred 4.0% interest in Wiseland to Parview and 20.8% interest in Wiseland to Fosing, as directed by Mr Gao and Mr Hong. Each of Mr Gao and Mr Hong settled a further 0.2% interest in Wiseland respectively to Fosing. As a condition for such transfer of shares in Wiseland, the then beneficial shareholders of Wiseland agreed to assume, on a pro rata basis, all liabilities of the borrowers of the Wiseland Loan.

[On 19 November] 2010, the SM Trustee entered into two deeds of trust relating to the SM Trust, resulting in the creation of the SM Trust, and the SM Trustee was appointed as the trustee of the SM Trust. The SM Trust are discretionary trusts managed by the SM Trustee for the benefit of members of our senior management. On the same date, Mr. Gao (through Foxing) and Mr. Hong (through Phanron) funded the SM Trust by each settling 50% of the issued share capital of each of Parview and Fosing into the SM Trust.

[On 19 November] 2010, Mr Gao entered into a deed of trust with the B&G Trustee, resulting in the creation of the B&G Family Trust, and the B&G Trustee was appointed as the trustee of the B&G Family Trust. The B&G Family Trust is a discretionary trust managed by the B&G Trustee for the benefit of Mr Gao and his relatives. On the same date, Mr Gao settled the entire issued share capital of Foxing owned by him into the B&G Family Trust. Mr. Bi is expected to continue making contributions to our Group’s business and growth as well as serving as a member of our Board. Mr. Bi’s interest in the Company is reflected in the collective family interest of Mr. Gao and Mr. Bi that is currently beneficially held by Mr. Gao and will be held by the B&G Family Trust at [●].

[On 19 November] 2010, Greatview entered into an agreement with DBS Bank Ltd., Hong Kong Branch for a term loan facility of US\$50 million, secured by an account charge given by each of Hexis and Greatview and guarantee given by Hexis. The purpose of this loan is to repay the interest-free loan of US\$50 million due from our Group to Hexis. Prior to the [●], our Company will also enter into a guarantee for the above loan in favour of DBS Bank Ltd., Hong Kong Branch, to replace the guarantee and account charge given by Hexis, and subject to the [●] taking place and fulfillment of other

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customary non-default conditions, the account charge and guarantee of Hexis will be released by [●]. The term of the loan is for three months, but early prepayment is required when [●] takes place. The interest rate for the loan is at 150 basis points above the London Interbank Offer Rate for one to three months period as selected by our Company.

Our Group applied the above loan proceeds to repay the interest-free loan of US\$50 million due from our Group to Hexis, expected to take place on 22 November 2010.

After [●] and repayment of the aforesaid loan from DBS Bank Ltd., Hong Kong Branch, it is anticipated that Hexis will distribute the US\$50 million received from our Group to the shareholders of Hexis, including Wiseland, which will then distribute such funds to the shareholders of Wiseland and the Wiseland Loan will be repaid in full (including principal and interest) by them.

Pursuant to the Reorganisation, on [22 November] 2010, our Company, through Partner One, acquired from Hexis one share in Greatview held by Hexis. Upon such acquisition, Partner One became the sole shareholder of Greatview. In consideration for the aforesaid acquisition and application of remaining US\$10 million interest-free loan then due from our Company to Hexis to subscribe for new Shares, our Company issued and allotted a total of [●] new Shares to Hexis, and Hexis then distributed all its Shares to the then shareholders of Hexis. Wiseland then repurchased from each of Parview, Phanron, Schwartz, Goldmap, Hillma and Wallson their respective shares in Wiseland, in exchange for their proportionate share of Hexis Ordinary Shares and the Shares held by Wiseland.

On 15 November 2010, our Company adopted the Pre-[●] Share Option Scheme. On [22 November 2010], our Company granted [●] options to Liwei. If the options are exercised in full, our Company will issue an additional [●] Shares, representing approximately [●]% of the issued share capital of our Company at [●]. For details of the Pre-[●] Share Option Scheme, please refer to “Statutory and General Information — Pre-[●] Share Option Scheme” in Appendix VI to this document.

Our PRC legal adviser, Commerce & Finance Law Office, has advised that our Group and our Controlling Shareholder have been in compliance with all applicable PRC rules and regulations, and have obtained all necessary approvals from PRC government authorities for the Reorganisation and the [●]. Our PRC legal adviser, Commerce & Finance Law Office, confirmed that all our Shareholders who are PRC residents as of the Latest Practicable Date, namely Mr Chang, Mr Chen, Mr Gao (the brother of Mr Bi), Mr Hong and Mr Yang, have properly completed the relevant registration in compliance with the SAFE regulations. Our PRC legal adviser further confirmed that since the acquisition of Shandong Tralin Packaging was completed before 8 September 2006 and Inner Mongolia Greatview Aseptic Packaging and Beijing Greatview were established as wholly foreign-owned enterprises, the Rules on Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), which became effective on 8 September 2006 and amended on 22 June 2009, do not apply to the Group. Our PRC legal adviser further advised that the Group is not subject to the approval by the Chinese Securities Regulatory Commission under Article 40 of the M&A Rules.

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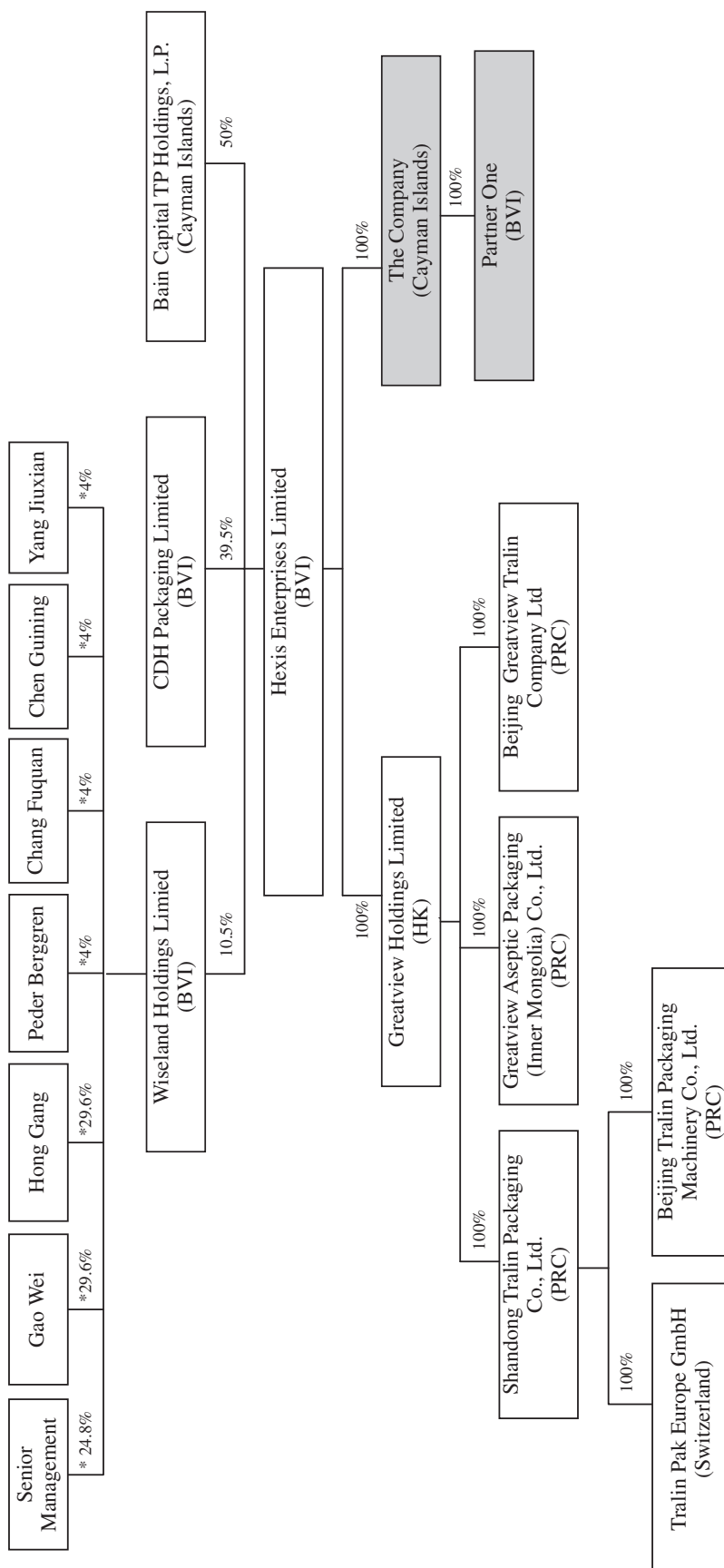
On completion of the Reorganisation but immediately prior to the completion of the [●], assuming that the options granted under the Pre-[●] Share Option Scheme are not exercised, our Company will have in issue a total of [●] Shares, which will be owned as follows:

Name of shareholder	Number of Shares	Approximate percentage interest in our Company (%)
Bain Capital	[●]	[●]%
CDH Packaging	[●]	[●]%
Wiseland	[●]	[●]%
Parview	[●]	[●]%
Phanron	[●]	[●]%
Schwartz	[●]	[●]%
Goldmap	[●]	[●]%
Hillma	[●]	[●]%
Wallson	[●]	[●]%
Total	[●]	[●]%

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SHAREHOLDING AND GROUP STRUCTURE

The following chart sets out the shareholding structure and the corporate structure of our Group immediately before the Reorganisation.



* beneficial shareholding

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OVERVIEW

We are one of a select few integrated providers of aseptic packaging and related services globally and the leading alternative supplier in the PRC based on sales volume. We had an estimated 9.6% share of the PRC aseptic packaging market by sales volume for the year ended 31 December 2009, according to Frost & Sullivan. We enjoyed rapidly growing international sales during our Track Record Period and are the second largest roll-fed supplier of aseptic packaging globally, with an estimated market share of about 1.5% by volume in 2009, according to Frost & Sullivan. We are committed to providing customised, high-quality and competitively priced aseptic packs that are fully compatible with standard roll-fed filling machines to leading dairy and non-carbonated soft drink, or NCSD, producers. In addition to our aseptic packs, we also provide our customers a range of support services with respect to standard roll-fed filling machines, which include training and on-site technical assistance, as well as spare parts.

Our aseptic packs, which we sell using the trade name Tralin Pak in carton form under the name “Tralin Brick” as well as in soft pouch form under the name “Tralin Pilo”, maintain a sterile environment and allow for long-term transport and storage without refrigeration, making them suited for storing perishable foods and beverages. Our aseptic packs are used for filled products such as pure and flavoured milk drinks, as well as NCSDs such as juice and tea. We produce our aseptic packs using a sophisticated technology comprising seven alternating layers of LPB, polyethylene, aluminium foil and environmentally-friendly water-based ink. We currently provide our aseptic packs and services to leading dairy and NCSD producers in the PRC and in a number of international markets including France, Germany and Russia.

The aseptic packaging industry has been and currently remains dominated by Tetra Pak, the leading provider of aseptic packs and standard roll-fed filling machines globally, with several other international providers also serving the market. In 2009, Tetra Pak has an estimated market share of approximately 79.7% globally and 70.2% in the PRC by sales volume, according to Frost & Sullivan. We believe that our competitive pricing has allowed us to become a credible alternative supplier of aseptic packs in the highly concentrated aseptic packaging industry. We believe that the key considerations for a customer to engage with us include our ability to:

- ensure the compatibility of our aseptic packs with standard roll-fed filling machines;
- maintain superior product durability;
- handle regular and unplanned orders of significant size in a timely manner; and
- offer a strong value proposition.

We believe our proven track record of meeting these requirements, as well as offering a range of popular product variations and providing standard roll-fed filling machine support services, results in customers considering us as a credible alternative supplier and confidently selecting us along-side, or instead of, the other international providers.

Shandong Tralin Packaging, our main operating subsidiary, was incorporated in 2001 by Tralin Paper and initially engaged in the production and sale of multi-layered compound packaging materials, paper cartons and other paper packages for beverage companies in the PRC. In 2003, Mr Bi, who is presently our CEO, and Mr Hong, who is presently our Chairman, together with certain other members

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of our management team, joined Tralin Packaging and then re-established it as a manufacturer of aseptic packs. In 2005, we began serving the high end PRC dairy segment when we began supplying aseptic packs to Mengniu. In 2006, our annual production volume reached one billion packs. In 2008, we secured our first substantial international sales with a global dairy conglomerate based in France. In 2009, we had more than 100 customers, and from 2003 to 2009 we had produced an aggregate of approximately 10.3 billion packs.

Our head office is located in Beijing. We have two factories, one in Gaotang, Shandong Province (comprising two separately housed production facilities totalling approximately 51,744.6 sq.m) and another recently completed factory in Helingeer, Inner Mongolia (totalling approximately 66,667 sq.m) which we expect to begin commercial production by the end of 2010. We maintain support and development facilities in Beijing and Shanghai that are dedicated to the servicing of standard roll-fed filling machines and the continued compatibility of our aseptic packs with such machines in the event that specifications are altered or new models are launched. To support our international growth, we engage sales personnel in certain European countries including Switzerland, France and Germany, and maintain a network of direct and third-party representatives and agents throughout North America, South America and Asia. We have entered into agreements with our representatives and agents in Asia and signed letters of intent with our representatives and agents in North America and South America in relation to the marketing and distribution of our aseptic packs. We were still in the process of negotiating the terms and conditions of definitive agreements to be entered into with the representatives and agents in North America and South America as at the Latest Practicable Date.

Since our transition to aseptic packaging, we have substantially increased our annual production volume, from approximately 65.2 million packs in 2003 to approximately 3.9 billion packs in 2009. Based on our consideration of the following factors, we believe it is important to build capacity to meet demand in the short term: (i) the strong growth of the PRC aseptic packaging market, which has grown in terms of sales volume at a CAGR of 12.8% from 2005 to 2009, and is expected to grow at a CAGR of 14.1% from 2009 to 2015, according to Frost & Sullivan; and (ii) our historical track record of exceeding the market rate of growth, with production volume increasing at a CAGR of approximately 46.0% from 2007 to 2009 and (iii) the need to demonstrate to existing and prospective customers that we are capable of handling larger order volumes. By the end of 2010, when our Helingeer Factory is expected to begin commercial production, we expect our total annual production capacity to reach approximately 9.4 billion packs.

We place a strong emphasis on environmentally responsible practices in our operations. We initially obtained ISO 14001 certification for our environmental management standards in 2004. In an effort to achieve more sustainable production processes, we print all of our packaging using environmentally-friendly water-based inks and we request proof of either FSC, SFI or PEFC sustainable forestry certifications from all of our LPB suppliers. During the design-phase of our Helingeer Factory, we undertook a “carbon footprint” accounting which has allowed us to institute a carbon-neutralisation scheme with respect to the environmental impact of the facility’s construction. We are also in discussions with the other leading aseptic pack providers in the PRC to form a recycling alliance, which will be dedicated to the promotion of post-consumption recycling activities in the PRC.

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We rely heavily on our major customers, which include leading PRC and international producers of dairy and NCSDs, with a particular reliance on our top three customers, Mengniu, Huierkang and Yili. Any significant reduction in sales to our major customers, the loss of a major customer, or a significant lowering of our average sale prices to a major customer could materially and adversely affect our business, financial condition and results of operations. Please refer to the section headed “Risk Factors - Risks relating to our Business - We rely heavily on our major customers and, in particular, our top three customers” in this document.

At times, there is intellectual property litigation involving patents, copyrights, trademarks, trade secrets and other intellectual property subject matter in our industry. We are currently the subject of a lawsuit in Germany brought by Tetra Pak relating to alleged infringement of one claim of a European patent related to aseptic packaging material. Our expansion plans in Europe and other jurisdictions may increase the likelihood of additional infringement lawsuits from Tetra Pak in the future. In addition, as intellectual property regulations in the PRC develop, litigation from competitors may become more frequent. Such litigations may hinder our ability to maintain compatibility with standard roll-fed filing machines manufactured by third parties and causes other disruptions to our business. Please refer to the sections headed “Risk Factors — Risks relating to Intellectual Property Rights” and “Business — Intellectual Property Rights — Litigation” in this document.

Our business experienced substantial revenue and net profit growth over the Track Record Period. For the years ended 31 December 2007, 2008 and 2009, our revenue totalled RMB380.4 million, RMB525.0 million and RMB771.9 million, respectively, representing a CAGR of 42.4% from 2007 to 2009. For the years ended 31 December 2007, 2008 and 2009, our net profit was RMB56.1 million, RMB87.8 million and RMB164.9 million, respectively, representing a CAGR of 71.4% from 2007 to 2009. In the six months ended 30 June 2010, our revenue amounted to RMB503.2 million, representing an increase of 32.9% over the corresponding period in 2009, and in the six months ended 30 June 2010, our net profit amounted to RMB109.3 million, representing an increase of 25.2% over the corresponding period in 2009.

The following table sets forth the revenue derived from each of our PRC and international segments and the percentage each represents against total revenue, as well as gross profit for the periods indicated.

	Year ended 31 December						Six months ended 30 June								
	2007		2008		2009		2009		2010						
	% of Total (RMB'000)	Gross Profit (RMB'000)	% of Total Revenue	Gross Profit (RMB'000)	% of Total Revenue	Gross Profit (RMB'000)	% of Total Revenue	Gross Profit (RMB'000)	% of Total Revenue	Gross Profit (RMB'000)	% of Total Revenue	Gross Profit (RMB'000)			
PRC	375,304	98.7%	92,072	509,466	97.0%	133,683	731,702	94.8%	257,415	365,072	96.4%	129,088	465,516	92.5%	157,704
International	5,084	1.3%	(265)	15,502	3.0%	689	40,168	5.2%	11,242	13,651	3.6%	2,749	37,710	7.5%	7,995
Total	380,388	100.0%	91,807	524,968	100.0%	134,372	771,870	100.0%	268,657	378,723	100.0%	131,837	503,226	100.0%	165,699

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The following table sets forth the revenue derived from our dairy and NCSD customers and the percentage each represents against total revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000 unaudited)	% of Total Revenue	(RMB'000)	% of Total Revenue
Dairy	244,175	64.2%	339,363	64.6%	515,409	66.8%	242,798	64.1%	375,850	74.7%
NCSD	136,213	35.8%	185,605	35.4%	256,461	33.2%	135,925	35.9%	127,376	25.3%
Total	380,388	100.0%	524,968	100.0%	771,870	100.0%	378,723	100.0%	503,226	100.0%

OUR COMPETITIVE STRENGTHS

We believe that the followings strengths have contributed to our competitive position in the aseptic packaging market:

We are one of a select few integrated providers of aseptic packaging and related services globally and the leading alternative supplier in the PRC.

The aseptic packaging industry has been and currently remains largely dominated by Tetra Pak, a roll-fed supplier, which in 2009 was estimated to account for approximately 79.7% of the global aseptic packaging market by sales volume and approximately 70.2% of the PRC aseptic packaging market by sales volume, according to Frost & Sullivan. As a consequence, large-scale dairy and other NCSD producers have had few reliable integrated aseptic packaging providers to choose from. Our proven track record in the aseptic packaging market, coupled with the significant scale in production volume that we have achieved in recent years, has allowed us to become a credible alternative supplier for leading dairy and NCSD producers. In 2009, according to Frost & Sullivan, we were the second largest roll-fed supplier of aseptic packaging globally and in the PRC in term of sales volume.

By effectively leveraging our well established know-how and global supply-chain, we are able to offer our customers a strong value proposition and high quality aseptic packaging products while at the same time maintaining attractive profit margins. In addition to offering more competitive pricing than the multinational providers, by engaging with us our customers become empowered to negotiate better pricing from the multinational providers, and at the same time reduce risk of a supply disruption that can result from relying on a single supplier. In order to provide customers with a comprehensive aseptic packaging solution, we offer our customers a range of support services with respect to standard roll-fed filling machines, which include training and on-site technical assistance, as well as spare parts. This competitive dynamic that we help sustain in the aseptic packaging market has allowed us to forge very strong ties with our rapidly growing customer base.

In 2009, according to Frost & Sullivan, we were among the top four in the global aseptic packaging market by sales volume, and were second within the PRC aseptic packaging market by sales volume.

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We benefit from our rapidly growing PRC market share.

According to Frost & Sullivan, the PRC was the largest single country market for aseptic packaging globally in 2009, and it is also forecasted to continue to be one of the fastest growing. According to Frost & Sullivan, the aseptic packaging market in the PRC grew from 23.6 billion packs in 2005 to 38.2 billion packs in 2009, representing a CAGR of 12.8%. The discretionary spending power of PRC consumers continues to increase as urbanisation continues and as more urban consumers gain wealth. In addition, we believe these consumers are becoming more health conscious, which we expect to lead to an increase in demand for nutritional beverage products in our major downstream markets, liquid dairy and NCS, including fruit and vegetable juices and tea. According to Frost & Sullivan, the PRC liquid dairy market has grown in terms of production volume from 11.5 million tonnes in 2005 to 16.4 million tonnes in 2009, representing a CAGR of 9.4%. According to Frost & Sullivan, the fruit and vegetable juice and tea sub sectors of the NCS market has grown in terms production volume from 10.0 million tonnes in 2005 to 22.8 million tonnes in 2009, representing a CAGR of 22.8%. Looking to the future, Frost & Sullivan estimates that the PRC liquid dairy and NCS markets are likely to continue to experience substantial growth, with the PRC liquid dairy market expected to reach 32.4 million tonnes, and the fruit and vegetable juice and tea sub sectors of the NCS market expected to reach 63.8 million tonnes by 2015. As an indication of the substantial growth potential for aseptic packaging in the PRC, Frost & Sullivan estimates that revenue in the PRC aseptic packaging market on a per capita basis was only RMB6.5, as compared to RMB15.3 in North America and Mexico and RMB48.2 in Western Europe and Russia. According to Frost & Sullivan, our share of the PRC aseptic packaging market by volume has grown from 5.8% in 2007 to 9.6% as of 2009. We believe we are well-positioned to benefit from our growing PRC market share in the largest and fastest growing aseptic packaging market.

The value proposition we offer customers is underpinned by our world-class product and service offering and strengthened by our stringent quality assurance program.

World-class product

We believe having a proven track record of product ‘durability’ and ‘compatibility’ is the most important measure of quality for an aseptic packaging supplier. By ‘durability’ we refer to the ability of aseptic packaging materials to maintain form and functionality over time, ensuring that filled content retains its freshness and integrity, and by ‘compatibility’ we refer to a product’s ability to perform consistently when used with standard roll-fed filling machines, which can impact a customer’s waste rate and, in turn, affect overall packaging costs for our customers. To ensure the durability and compatibility of our products, we are committed to using both high-quality raw materials and advanced production techniques. We make the procurement of high-quality inputs and production equipment a top priority. Our primary raw materials, including LPB, polyethylene, aluminium foil, and water-based inks, are all sourced from industry-leading suppliers located internationally and in the PRC, and our high-precision production equipment, which includes printers, laminators and slitters, is manufactured by leading European and Asian suppliers and is customised to optimal performance specifications. To ensure our products adhere to the highest standards of quality, our production lines employ digital cameras and laser scanners to ensure uniform and defect-free products.

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The production of quality aseptic packs is a complex, high precision manufacturing process. With over seven years of experience developing and refining aseptic packs, we have mastered the technical and operational know-how necessary for not only achieving the highest standards of product quality but also maintaining compatibility as new roll-fed filling machines enter the market and customers encounter ordinary course technical difficulties. For example, when the latest generation of high-speed roll-fed filling machines entered the market in 2008, we were able to rapidly adjust the specifications of our aseptic packs and launch successful trials with some customers on these new machines in just a few months. Our customers’ filling machine operators can switch from a roll of incumbent aseptic packaging to our aseptic packaging with only minimal, if any, machine adjustments.

As durability and compatibility can directly impact food safety and packaging costs for customers, major dairy and NCS D producers require aseptic packaging to pass rigorous quality qualification programmes lasting from several months to a year before an aseptic packaging producer can be qualified as a supplier. We are proud to have passed the quality qualification programmes of some of the world’s leading dairy and NCS D producers.

Comprehensive service offering

We have a strong technical support team with intimate knowledge of standard roll-fed filling machines. Such expertise enables us not only to ensure consistent product compatibility but also to supplement our high quality product offering with comprehensive pre-sale and after-sales services, including onsite technical support services for our customers’ standard roll-fed filling machines. For example, if a customer encounters a technical difficulty or performance issue, we are able to utilise our own roll-fed filling machine research and technical support centres in Beijing and Shanghai to quickly trace and resolve problems. Our ability to provide spare parts and onsite support service enhances our strategic value to customers and further differentiates us from smaller competitors with more limited production and service capabilities.

Stringent quality assurance programme

Through years of practical experience in developing aseptic packs, our experienced staff has amassed a sizable body of technical and operational know-how in quality control processes. As of 30 June 2010 we employed a quality assurance team of 40 employees who undertake testing throughout the raw material procurement and production continuum and work closely with customers to satisfy requirements, resolve product issues and optimise product performance. This allows us to take a complete system approach to quality assurance and rapidly trace performance issues to their root causes. To augment our own internal quality assurance resources, we maintain relationships with a number of independent industry experts in aseptic technology, bacteria control and other areas with whom we consult on an as needed basis. During the six months ended 30 June 2010, we incurred consultation fees of approximately US\$10,000. In each of the years ended 31 December 2007, 2008 and 2009, we did not incur any consultation fees. The commitment and know-how that we possess to ensure that our products adhere to the highest quality standards is supported by our strong track record such commitment and know-how differentiate us from competitors in our industry, many of whom are not qualified to supply the major dairy and NCS D producers that are our customers.

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We have a meaningful scale of operations and a proven track record in expanding our production capacity.

We have a strong record of investing in our production facilities and strategic capacity growth plans. Between 2007 and 2009, our annual production capacity grew from approximately 3.0 billion packs to approximately 5.1 billion packs. We expect to have an annual production capacity of approximately 9.4 billion packs by the end of 2010, once we begin full commercial production at our Helingeer Factory. With modest additional investment at our Helingeer Factory and our Gaotang Factory, as well as implementation of the initial phase of our European expansion, we expect that our annual production capacity could reach approximately 15.2 billion packs by the end of 2012. Our large and growing production capacity enables us to comfortably handle sizable orders, which allows our customers to enjoy meaningful cost savings. The significant production capacity also allows us to satisfy unplanned orders quickly when our customers experience unexpectedly high sales during peak seasons. In addition, our sizable capacity allows us to use leading suppliers of LPB and other raw materials that generally only supply to large scale manufacturers, which has helped lower our production costs and enhance product quality. Our commitment to expand production capacity gives our customers confidence that we will be able to continue to serve their aseptic packaging requirements as they grow their businesses and further solidifies our position as the market’s leading alternative supplier.

We have strong relationships with leading PRC and multinational dairy and NCS D producers.

We have established strong relationships with our customers, which include some of the major PRC and international dairy and NCS D producers. We are suppliers to well-known brand names such as Mengniu, Huierkang, Yili and Milch Union Hocheifel as well as a global dairy conglomerate based in France. We have supplied our five largest customers over the Track Record Period for more than four years on average, with aggregate revenue attributable to such customers having grown significantly each year. The strength of our relationships with our customers enables us not only to maintain stable production volume but also to expand into other product areas. For example, in 2008 the confidence we had earned from reliably supplying a leading PRC dairy producer allowed us to win new orders for some of their premium milk products. As a result of our customers’ high quality standards and aversion to the risks associated with experimenting with new suppliers, as well as their appreciation of the competitive pricing dynamic that we create within the aseptic packaging market, we believe we are well positioned to enjoy continued customer loyalty going forward.

We have a highly credible management team with substantial industry experience and a proven track record of execution both in the PRC and internationally.

Each member of our international and multilingual management team possesses on average 16 years of industry experience. With many of our top managers having formerly held senior roles with other global aseptic providers, we are confident that our management team possesses the operational and product development experience required to lead our rapid growth. In addition to their significant experience, our management team is stable, with key members having worked together on average for more than ten years. We believe the significant investments we received from two leading financial

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investors, who today we count as shareholders, act as a strong endorsement of not only our business model but also the strength of our management team. With their extensive industry experience, proven track record and substantial industry contacts, we believe our senior management team is capable of maintaining our operational stability and leading our accelerated business expansion.

OUR BUSINESS STRATEGIES

Our principal business objective is to further consolidate our market share in the aseptic packaging business and continue to expand domestically and internationally by pursuing the following key strategies:

Continue to grow market share with our key customers while broadening customer mix in the PRC market.

We aim to continue our rapid growth in sales to leading domestic dairy and NCSD producers by increasing our production capacity so as to better satisfy demand from customers that we previously were not able to fully serve. We plan to continue to add new capacity at both of our existing production facilities in the PRC as well as at newly constructed factories for the foreseeable future. With this increased production capacity we expect to be able to satisfy the growing demand from our existing domestic dairy and NCSD producers and begin serving new leading PRC producers. Leveraging our additional production capacity, we also expect to be able to broaden our customer mix by selectively supplying our aseptic packs to more high-growth NCSD producers within the PRC.

Further expand and penetrate selective international markets.

Our ability to penetrate the European market and win market share from several global aseptic packaging providers has allowed us to enjoy substantial growth in our European sales. We believe that the current climate of slow growth in Europe makes producers eager to explore opportunities to reduce their costs while maintaining high quality standards. On account of our European success to date, which includes us supplying two leading European-based multinational dairy producers, we are in the initial planning stages for our own production facility in Germany which we plan to construct and open over the near-term. We believe our significant experience in launching new production facilities will allow us to shorten the ramp-up period for our European production facility, as well as other future facilities. We also view our European production facility as critical to our expansion as many potential European customers prefer to procure aseptic packs from providers within closer proximity.

Utilising our business managers stationed in certain European countries including Switzerland, France and Germany and our network of representatives and agents throughout North America, South America and Asia, we plan to continue our efforts to move beyond the PRC market and establish ourselves as a global aseptic packaging provider. In addition to the European market, we expect to benefit from growth dynamics similar to the PRC in other large and emerging markets, such as Russia, Brazil and Mexico.

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Expand our own roll-fed filling machine support services.

As we increase our production capacity and grow our PRC customer base, we plan to expand our own technical support team so that we can continue to offer new and existing customers a wide range of standard roll-fed filling machine support. In particular, we plan to expand our team to provide onsite technical support and training to a greater number of PRC customers. To address our future need for additional roll-fed filling machine technicians, we are currently developing our own formalised training programme which will be located at our support and development facility in Beijing. We expect this academy, which will be run by veteran roll-fed filling machine specialists and will offer participants training on the most current model machines, to be launched by the end of 2010. To further advance our position as a provider of system solutions, our Shanghai R&D Centre is currently in the process of developing our own filling machine which we aim to put into production over the medium-term. We will also continue to develop spare parts compatible with standard roll-fed filling machines and offer them at competitive prices compared to the prices typically charged by the industry leader.

Continue to optimise products and production processes.

We are focused on innovative product development and production process improvements. This allows us to continually offer our customers an expanding product range, maintain a competitive cost and pricing structure and meet changing consumer preferences and environmental standards. Our management team is dedicated to pursuing raw material alternatives to decrease production costs while maintaining our product quality. In addition to continuing our investment in raw material research and testing, we will continue efforts to locate and qualify additional raw materials suppliers as a further means of managing our production costs and reducing our reliance on our existing suppliers. In the future, we plan to develop different production lines for bulk orders and for customised or small orders. We believe these combined strategies should enable us to contain costs and further deliver robust profit margins in the future.

Strategically explore value-enhancing acquisitions and/or joint ventures to further grow our market share.

To date, we have relied on organic expansion to achieve our rapid growth. We may strategically explore value-enhancing acquisitions and/or joint ventures to further grow our market share. We may also consider targeted acquisitions or investments where we stand to gain access to additional production capacity or proprietary technology relating to packaging design or roll-fed filling machines, which we believe may further enhance our own products and services, and expand our position in key markets.

PRODUCTS AND SUPPORT SERVICES

We produce customised, high-quality and competitively priced aseptic packs for dairy and NCSD producers. Our aseptic packs maintain a sterile environment and allow for long-term transport and storage without refrigeration, making them suited for storing perishable foods and beverages.

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In addition to providing our aseptic packs, as an integrated provider of aseptic packaging and related services, we also provide our customers a range of support services with respect to the standard roll-fed filling machines.

Products

We produce customised, high-quality and competitively priced aseptic packs that are used for product fills, including pure and flavoured milk, as well as NCSDs such as juice and tea. Our Gaotang Factory houses two production lines for the production of aseptic packs while our newly constructed Helingeer Factory houses one production line.

Our aseptic packs currently come in two general forms - in carton form under the name “Tralin Brick” and in soft pouch form (with straw hole as an option) under the name “Tralin Pilo”. We produce Tralin Bricks in seven configurations that differ in both volume and shape. We produce Tralin Pilos in four configurations that differ in volume. The different configurations allow our customers to achieve a high degree of customisation for their products and to satisfy the varying preferences of end-consumers.

The following shows the different types of Tralin Bricks and Tralin Pilos produced by us.

Name of Product

1. Tralin Brick Aseptic 200mL Base
2. Tralin Brick Aseptic 200mL Slim
3. Tralin Brick Aseptic 250mL Base
4. Tralin Brick Aseptic 250mL Slim
5. Tralin Brick Aseptic 330mL Slim
6. Tralin Brick Aseptic 1000mL Base
7. Tralin Brick Aseptic 1000mL Slim
8. Tralin Pilo Aseptic 200mL
9. Tralin Pilo Aseptic 250 mL
10. Tralin Pilo Aseptic 500 mL
11. Tralin Pilo Aseptic 1000 mL

Our sales volume increased each year during the Track Record Period. For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, we sold approximately 1.8 billion, 2.5 billion, 3.8 billion, and 2.4 billion packs, respectively, making us the second largest supplier of aseptic packs in the PRC by sales volume in 2009 according to Frost & Sullivan.

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Support services

As one of a select few integrated providers of aseptic packaging and related services, we are dedicated to providing support services to meet our customers’ needs with respect to standard roll-fed filling machines. These support services primarily involve the provision of spare parts and onsite technical assistance. Over the Track Record Period our support services have also included the sale of a limited number of roll-fed filling machines. While revenue from our support services is immaterial contributing less than 2% to our aggregate revenue over the Track Record Period, as filling machines serve an essential function of our customers’ operations, our ability to provide support services gives our customers further confidence that we offer a total aseptic packaging solution.

Filling machines spare parts

To meet our customers’ maintenance and operations needs, we produce spare parts that are compatible with the standard roll-fed filling machines. As of the Latest Practicable Date, our spare parts support team had 11 design engineers engaged in the development of spare parts. Our Beijing R&D Centre houses 12 machines with the capacity to manufacture approximately 4,000 different kinds of spare parts. We offer our spare parts at competitive prices, and many of our customers across the PRC currently utilise our value-priced spare parts to maintain and operate their filling machines. Our offering of spare parts as a component of our support services has received favourable responses from many of our customers. We plan to continue to explore opportunities in this segment for profitability and growth potential.

Onsite technical assistance for filling machines

We provide complimentary onsite technical assistance for our customers’ filling machines. As of the Latest Practicable Date, we have an onsite technical support services team comprising 22 service engineers. When customers encounter a technical difficulty or performance issue, we are able to quickly trace and resolve problems by utilising facilities at our R&D Centres.

New and refurbished filling machines

In addition to our primary support services, in response to specific requests from certain NCSD producers in the PRC, we have sold a limited number of roll-fed filling machines over the Track Record Period. For each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we sold five, thirteen, two and nine machines, respectively. These filling machine sales comprised both new models that we developed and assembled internally as well as used models that we procured from third parties and then refurbished.

Our Shanghai R&D Centre is currently in the process of developing our own filling machines which we aim to put into production over the medium-term.

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PRODUCTION FACILITIES

Our production facilities in the PRC for aseptic packs are located in Gaotang, Shandong Province and Helingeer, Inner Mongolia Autonomous Region. We expect to begin commercial production at the Helingeer Factory by the end of 2010.

For spare parts, the main production and R&D facility is located at the Beijing R&D Centre. In addition, in 2005 the Shanghai R&D Centre was set up with the objective of developing our existing technology in spare parts and filling machines production.

Production facilities for aseptic packs

Gaotang Factory

As of the Latest Practicable Date, our Group operated two production lines for aseptic packs at the Gaotang Factory. Our Gaotang Factory occupies a total site area of approximately 51,744.6 sq.m. Our Group commenced commercial production at the first production line in 2003 and commenced trial production at the second production line in 2009.

Our first production line was built as a fully automated plant equipped with state-of-the-art production machinery from Germany, Italy and the PRC. In 2007, it was our only operating production line, with an annual production capacity of approximately 3.0 billion packs. In 2008, with the addition of one printer, our total annual production capacity increased to approximately 4.5 billion packs.

Our second production line at our Gaotang Factory is equipped with machinery from Germany and the PRC for production, quality control and packing. The line commenced operations in 2009. This additional production line increased our total annual production capacity to approximately 5.1 billion packs in 2009.

Helingeer Factory

We completed the construction of the Helingeer Factory in February 2010 to capitalise on the growing demand for aseptic packs. The Helingeer Factory has a total site area of approximately 66,667 sq.m and is equipped with one production line. As of the Latest Practicable Date, the Helingeer Factory was in trial production. It is expected to begin commercial production upon receiving a formal production license for the authorities by the end of 2010. We expect the Helingeer Factory to increase our total annual production capacity to approximately 9.4 billion packs by the end of 2010. With modest additional investment at our Helingeer Factory and Gaotang Factory, as well as implementation of the initial phase of our European expansion, we expect our total annual production capacity could be increased to approximately 15.2 billion packs by the end of 2012.

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We believe that Helingeer is a strategic location for us because it is situated in the heart of the PRC’s largest dairy belt, only a few kilometres away from two leading PRC dairy companies, both among our top ten customers. The close proximity of our Helingeer Factory to our customers allows us to strengthen our relationship with these customers by enabling us to react even more swiftly to increased demand by minimising transportation costs and delivery time.

Production capacity and utilisation

The following table sets forth our annual production capacity, production volume, and capacity utilisation during the Track Record Period:

	Year ended 31 December									Six months ended 30 June		
	2007			2008			2009			2010		
	Annual production capacity ⁽¹⁾	Production volume	Capacity utilisation ⁽²⁾	Annual production capacity ⁽¹⁾	Production volume	Capacity utilisation ⁽²⁾	Annual production capacity ⁽¹⁾	Production volume	Capacity utilization ⁽²⁾	Production capacity ⁽³⁾	Production volume	Capacity utilisation
	(billion packs)	(billion packs)	(%)	(billion packs)	(billion packs)	(%)	(billion packs)	(billion packs)	(%)	(billion packs)	(billion packs)	(%)
Gaotang Factory	3.0	1.8	60.9%	4.5	2.6	57.3%	5.1	3.9	76.6%	2.6	2.1	81.6%
Helingeer Factory	—	—	—	—	—	—	—	—	—	2.1	0.1	6.2%
Total	3.0	1.8	60.9%	4.5	2.6	57.3%	5.1	3.9	76.6%	4.7	2.3	48.1%

Notes:

- (1) Annual production capacity represents the maximum output possible for a factory over a continuous 12 months based on the equipment in place at the end of the relevant year or period. The relevant factors in making this determination include: (i) a coefficient (packs/metre) which sets forth the number of 250 mL packs that can be made from one metre of a reel of aseptic packaging material. This number has remained constant for each year; (ii) designed machine speed (metres/hour) of the limiting or “bottleneck” machine in each production line, which can vary from year to year with the addition of new equipment (i.e. if a production line has just one 3.0 billion pack annual capacity printer connected to a 4.5 billion pack laminator that is capable of having two such printers attached to it, the production line’s overall annual production capacity will be 3.0 billion packs); and (iii) annual running time (hours/year) of production lines at each factory, with all production lines normally operating on a continuous and uninterrupted basis, 24 hours a day, seven days a week, except for holidays, scheduled machine cleaning, periodic inspection and maintenance work, as well as adjustment time for changes in machine settings when producing packs of different specifications, which in total lasts for approximately one hour per day.
- (2) Capacity utilisation rates are determined by dividing production volume by annual production capacity.
- (3) Production capacity represents the maximum output possible for a factory over a continuous six months based on the equipment in place as of 30 June 2010. This determination includes production capacity at our new Helingeer Factory, which had only started trial production toward the end of the six months ended 30 June 2010. Commercial production at our Helingeer Factory is not expected to begin until the end of 2010.

With the addition of one printer at our Gaotang Factory in 2008, our total annual production capacity increased from approximately 3.0 billion packs in the year ended 31 December 2007 to approximately 4.5 billion packs in the year ended 31 December 2008. When our second production line at our Gaotang Factory commenced operations in 2009, our total annual production capacity increased to approximately 5.1 billion packs in the year ended 31 December 2009. By the end of 2010, when our Helingeer Factory is expected to begin commercial production, we expect our total annual production capacity to reach approximately 9.4 billion packs.

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Our capacity utilisation rates have fluctuated from year to year with increases in our annual production capacity. As equipment is added or a new factory is opened, our actual production output cannot immediately increase in direct proportion with the added production capacity on account of a natural ramp up period. After the opening of a new factory, the experience level of our factory workers is not as high as it is at a factory already in full production. As production gradually increases, our workers’ experience level improves, and machines can operate at higher speeds. In addition, during a ramp up period we run trial production on our new production lines so as to make adjustments to machines and solve problems that arise, which further contributes toward the lag between actual production output and production capacity during the ramp up period. Also, after the addition of new capacity, actual production output may not increase immediately because sales orders from customers increase gradually over the ramp up period.

Production Facilities for Filling Machines Spare Parts

The main production facility for spare parts is located at the Beijing R&D Centre, which was set up in 2004. The Beijing R&D Centre has a total floor area of approximately 6,850 sq.m and houses 12 machines for spare parts production. In addition to the Beijing R&D Centre, the Shanghai R&D Centre was set up in 2005 with the objective of developing our existing technology in spare parts and filling machines production. The Shanghai R&D Centre occupies a total floor area of approximately 744 sq.m and focuses on researching and developing new and improved procedures for spare parts production, servicing and maintaining standard roll-fed filling machines, and training our onsite technical support services team.

PRODUCTION

Our production of aseptic packs utilises high-precision and high-speed production equipment manufactured by leading European and domestic suppliers. As of 30 June 2010, our production team had 484 employees and is organised into two to four shifts for different factories.

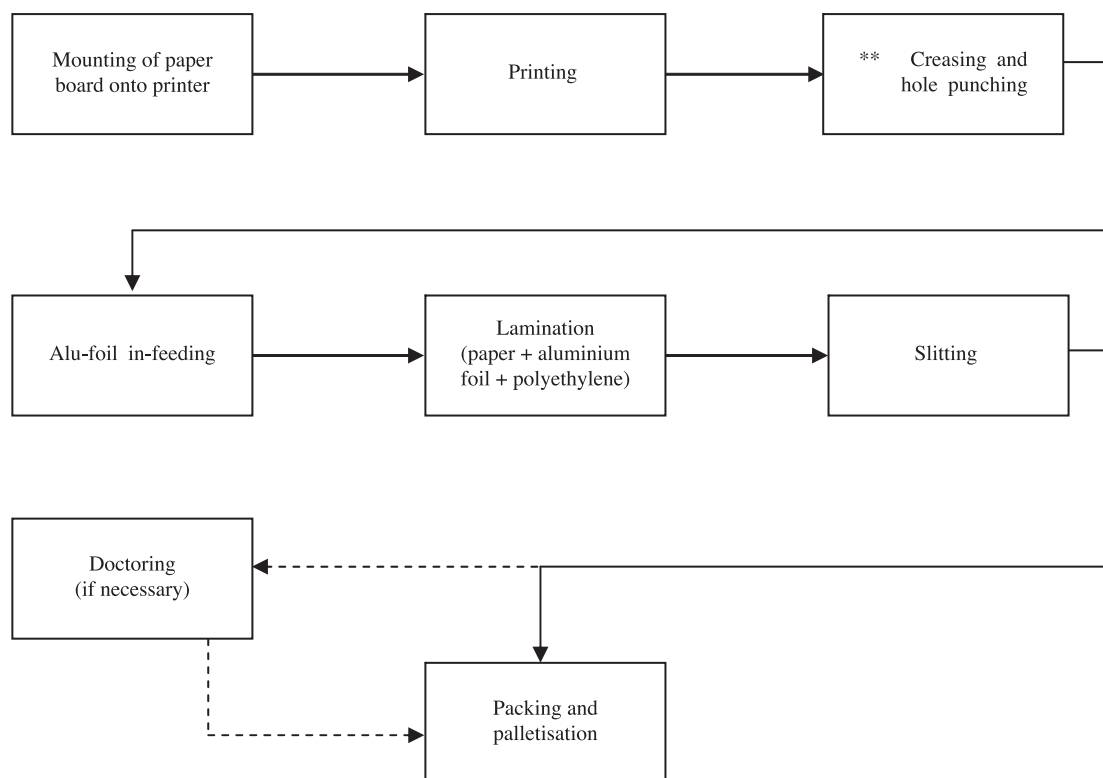
As aseptic packs are used in demanding distribution environments where there is no refrigeration for perishable beverages such as dairy and juice, it is vital that our aseptic packs are able to preserve their contents to the extremely high standards that our customers expect. In this respect, we have in-house quality control laboratories as well as microbial laboratories in all of our production facilities in order to ensure that our products and production facilities meet the required quality standards. For additional information on our quality control process, please refer to the section headed “Business — Quality Control” below.

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Production process

The following flow chart provides an overview of the major steps involved in the production process of our aseptic packs:

PRODUCTION FLOW FOR OUR ASEPTIC PACKS



* Quality control is conducted at each of the above stages of production. Only reels that have been identified as problematic are sent to our doctoring system for inspection with the assistance of doctor machines.

** For production of Tralin Bricks only

Our production process utilises printing machines, laminators, and slitters. We place significant emphasis on the use of technologically advanced machinery to maintain efficiency and the quality of our products, and we have made considerable investments in our machinery. Our machines are subject to scheduled inspection and preventive maintenance as well as upgrades from time-to-time to increase their longevity and efficiency.

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Phase I - Mounting, printing, creasing and hole punching

We utilise raw LPB sourced from our major suppliers in the United States and the PRC. The LPB roll is first mounted onto the printer and printed with the customer’s original pack design and nutritional information. High-quality six-colour printing stations from Germany operate at the Gaotang Factory and are installed at the Helingeer Factory. Our printers use a flexo-process printing method and produce high-quality design images using environmentally friendly water-based inks. Creases are then pressed onto the printed LPB to create foldable lines for pack forming at the beverage filling stage. For packs less than 1000 mL, holes are punched into the printed LPB to designate the straw insertion point.

Phase II - In-feeding and lamination

After the LPB is printed with the customer’s pack design, alternate layers of polyethylene sourced from the United States, Europe or South Korea and aluminium foil sourced from the PRC or South Korea are added. Our high precision extrusion-lamination machines from Germany or the PRC bond alternate layers of LPB, polyethylene and aluminium foil to the LPB following Phase I.

The result is a very effective, safe, aseptic and light-weight packaging material. The table below sets forth the specific function of each layer of material from the outermost to innermost layer, which comes in direct contact with the filled product. For detailed information about the materials that make up our aseptic packs, please refer to the section headed “Business — Procurement of Raw Materials” below.

Layer	Material	Function
1	Polyethylene	Protects pack against external moisture
2	Water-based ink	Colour and design
3	LPB	For stability, stiffness and strength
4	Polyethylene	Adhesion and lamination
5	Aluminium foil	Protection against oxygen and light, conserves flavour of filled product
6	Polymer	Adhesion
7	Polymer	Separates filled product from the other layers

Phase III - Slitting

The packaging material, which at this point is in large rolls, is then slit into smaller reels using our automated, high-speed slitting machines from Italy or the PRC. The machines slit a printed and coated roll into several reels, with the number of reels dependant on the size of the packs printed, ranging from 200 mL to 1000 mL.

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Phase IV - Packing

The reels are then individually wrapped with shrink film, placed onto wooden pallets, and then further wrapped with another layer of protective shrink film.

Doctoring

Doctoring, when necessary, is a phase that takes place between Phase III (Slitting) and Phase IV (Packing). All of our printing, lamination and slitting machines are equipped with the ability to identify production imperfections, throughout each phase through markings located on the reels. Upon the completion of slitting, reels that have been identified as problematic are sent to our doctoring team for inspection with the assistance of doctor machines. The doctoring team attempts to rectify problems and make the reels fit customer specifications through certain manual adjustments. In the event that a problem is determined to be too serious for rectification, the particular reel or section of reel is discarded and not sold to customers.

Our Gaotang Factory houses seven doctor machines, while our Hellingeer Factory houses three doctor machines.

DELIVERY AND SHIPPING

Our production facilities in Gaotang are strategically located along the coastal region of Shandong Province, within close proximity to Qingdao and Tianjin ports and connected highway networks, facilitating convenient access to both suppliers and key customers in the vicinity. Furthermore, our newly constructed Hellingeer Factory is situated in the heart of the PRC’s largest dairy belt, only a few kilometres away from the two largest dairy companies in the PRC.

We outsource our product delivery to Independent Third-Party companies that bear the risks associated with the delivery of our products. We engage several external logistics companies to deliver our products to our customers in the PRC and internationally. Our aseptic packs are delivered to customers on specially treated wooden pallets and stacked according to each customer’s specifications. Our commercial deliveries to customers in the PRC are delivered mostly by trucks from our production facilities, while deliveries to international markets are shipped in full 40 foot containers. A final inspection of each pallet takes place as the trucks or containers are loaded to capacity with the shrink wrapped pallets of aseptic packs. Each reel and pallet carries unique identification numbers for full traceability, down to each month, day and shift in the production process.

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QUALITY CONTROL

We believe that stringent quality control standards are crucial to our Group’s success and the continuous growth of our business.

In order to maintain such standards, we believe that inspection should be made at all stages during the production process. We also believe that quality should be assured from the pre-production stage and that standards should be maintained throughout the production process so that issues can be identified and addressed as early as possible.

In that regard, all of our facilities have adopted a standardised quality management system covering the sourcing of raw materials, each stage of production, the delivery of final products, and post-sales quality control. In addition, to ensure our products adhere to the highest standards of quality, each of our production lines is equipped with digital cameras and laser scanners to ensure uniform and defect-free products. We have implemented detailed procedures and quality control mechanisms so that each employee has a clear understanding of his or her scope of work and the standards that are required. We also provide employees with continuous training in order to help reduce the occurrence of repeated errors.

In addition, our Gaotang Factory and Helingeer Factory collectively house five quality control laboratories and two microbiological laboratories. Of the five quality control laboratories, two are specially designed for inspecting and monitoring the quality of our raw materials, while the remaining three laboratories are designed for monitoring the quality of our aseptic packs at each stage of production. Our two microbiological laboratories contain technologically advanced equipment to monitor the air quality and hygiene level in our production facilities. To augment our own internal quality control resources, we maintain relationships with a number of independent industry experts in aseptic technology, bacteria control and other areas whom we consult with on an as needed basis. We have not entered into any written contractual arrangements with these experts, and instead pay them consultation fees which we negotiate on a case-by-case basis.

To further enhance customer confidence in our Group’s production skills and to monitor product quality, we assess our facilities’ compliance with quality assurance and environmental standards from time to time. Our Gaotang Factory has been certified by SGS as meeting BRC and IOP’s global standard for the manufacturing of laminated paper packaging material for aseptic liquid food products. We obtained ISO 14001 certification for our environmental management standards in 2004. In an effort to achieve more sustainable production processes, we print all of our packaging using water-based inks and we request proof of either FSC, SFI or PEFC sustainable forestry certifications

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from all of our LPB suppliers. In 2004, we initially established and implemented a sophisticated quality control system which has obtained accreditations of ISO 9001 in respect of its quality management system. We renew these accreditations every three years. Details regarding our recent certifications for environment management and quality management systems are set out below:

Title of certification	Certification Body	Validity Period
BRC/IOP standard for Global Standard for Packaging and Packaging Materials — the manufacture of laminated paper packaging material for aseptic liquid food products	SGS	From 13 May 2010 until 6 May 2011
ISO 9001 : 2008	SGS	From 17 June 2010 until 16 June 2013
ISO 14001 : 2004	SGS	From 17 June 2010 until 16 June 2013

As of the Latest Practicable Date, our quality control department, which is led by a factory manager, employed 36 personnel responsible for the implementation of our quality control policy for testing and quality control activities ancillary to our production process.

QUALITY ASSURANCE

Our quality assurance team, comprising 40 employees as of 30 June 2010, undertakes testing throughout the raw materials procurement and production continuum and is dedicated to providing quality after-sales services to our customers.

Our quality assurance team is the first point of contact for customers in the event of quality related concerns and assists customers with identifying and resolving problems, offering effective and efficient solutions and facilitating discussion with our production team. Our quality assurance team also undertakes standard examination and evaluation procedures to ascertain the validity of the claims and reports its findings to the relevant production team. This allows us to take a complete system approach to quality assurance and rapidly trace performance issues to their root causes. We may offer product exchanges to customers with regards to any products which are determined by us as being defective. Our quality assurance team has a long track record of experience in the aseptic packaging industry and is capable of translating customer requests into solutions. When necessary, our quality assurance team will reach out to industry experts to help resolve production performance issues.

While we are not involved in the development and governmental approval of the labelling that our customers give to us to print on their aseptic packages, any instance of mislabelling that is found to violate applicable labelling laws could lead to fines or other governmental action as well as lost business. The occurrence of such problems may result in product recalls which could cause serious damage to our reputation and brand, as well as loss of revenue. During the Track Record Period and

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up to the Latest Practicable Date, we had not experienced any incident of product recall, nor had we been subject to any labelling law claims. For details of the labelling laws relevant to our business, please refer to the section headed “Regulation of our Industry — Laws and Regulations Relating to Printing” in this document.

As of the Latest Practicable Date, we have not encountered any material defective product claims and we did not incur material expenses for the exchange of defective products during the Track Record Period.

COMPATIBILITY

Maintaining compatibility of our aseptic packs with standard roll-fed machines is a critical aspect of our business. Through continual development and improvement at our R&D Centres, we believe we have mastered the technical and operational know-how to maintain such compatibility. If specifications of standard roll-fed filling machines are altered or if new models are launched, we may require adjustment time to address compatibility issues. To date we have been able to resolve such issues without material adverse impact on the Group by engaging our team of engineers and technicians at our R&D Centres. We seek to continue to utilise the resources of our R&D Centres to maintain compatibility with the latest standard roll-fed filling machines. Despite these efforts, such compatibility issues may require adjustment time that could materially and adversely affect our business and results of operations. For further details, please refer to the section headed “Risk Factors — Risks relating to our business — Tetra Pak’s dominance of the industry may limit our ability to compete effectively and affect our ability to produce aseptic packs that are compatible with the standard roll-fed filling machines” in this document.

PROCUREMENT OF RAW MATERIALS

Raw materials

We produce each of our aseptic packs using a sophisticated technology comprising seven alternating layers of LPB, polyethylene, aluminium foil and environmentally-friendly water-based inks. Our principal raw materials are fundamentally the same for different pack sizes. We source our raw materials both locally and from international suppliers.

Our principal raw materials and the location of our major suppliers are set forth in the table below. For additional information on our principal raw materials, please refer to the section headed “Financial Information — Principal Components of Combined Income Statements — Cost of sales” in this document.

<u>Principal Raw Materials</u>	<u>Location of Major Suppliers</u>
LPB	United States and PRC
Polyethylene	United States, Europe and South Korea
Aluminium foil	PRC and South Korea
Water-based ink	PRC

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Utilities

Our Group requires various utilities, namely, water, electricity and natural gas in our production process. We entered into an integrated service agreement with Tralin Paper in May 2005 in respect of the provision of these utilities by Tralin Paper to the first production line of our Gaotang Factory, which is managed by Shandong Tralin Packaging. Tralin Paper has been providing Shandong Tralin Packaging with these utilities, which in turn was supplied to Tralin Paper by the relevant local utility providers in the PRC.

A disruption to or shortage of water, electricity or gas may adversely affect our production output. Historically, we have experienced interruptions in electricity supply during the summer months. For the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, interruptions in electricity supply lasted less than 24 hours in aggregate in each respective period, and therefore, electricity shortages have caused only minor disruptions to our production plants in the PRC. Our reliance on electricity from local utilities will further increase as we expand our production capacity, especially with the commencement of operation of our Helingeer Factory. In order to mitigate interruptions caused by electricity shortages, the Group has installed portable backup generators at our Gaotang Factory. Our Group is currently planning to construct a new independent high-voltage distribution system at our Gaotang Factory, which is expected to be completed in or around the second quarter of 2011 to significantly reduce our reliance on local utility suppliers and minimise future electricity interruptions. The budget for this new independent high-voltage distribution system is estimated at approximately RMB 6.2 million and it would be funded by our operating cash flow. The Group has also implemented an internal control system at Gaotang Factory to monitor and minimise the effects from future electricity interruptions. Please refer to the section headed “Risk Factors — Risks relating to our Business — Any operational failure or disruption at our production facilities could negatively affect our business” in this document regarding our risks of electricity outages.

Procurement

Our procurement team is in regular contact with the representatives from our production department to discuss the amount of the materials required for production. The Group’s sourcing strategy is to avoid relying heavily on any single supplier for principal raw materials, and the Group has maintained close contact with a limited number of suppliers for each principal raw material in order to ensure stable supply and cost competitiveness. We have been primarily sourcing LPB, polyethylene, aluminium foil and water-based inks from a limited number of suppliers. We have not encountered any material disruption to our business as a result of a shortage of raw materials, and we have not experienced and do not envisage that we will experience any material difficulties in sourcing raw materials for our requirements. In particular, although there are only around ten LPB suppliers globally, we have developed stable relationships with leading PRC and international LPB suppliers and with whom we negotiate pricing either at the time an order is placed or annually. As a precaution

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against shortage caused by high season demand or unexpected transportation delays, we generally maintain approximately two months of LPB requirements in inventory. As at the Latest Practicable Date, we are holding discussions with other LPB suppliers as it is our aim to qualify additional LPB suppliers.

Our five largest suppliers of raw materials in the aggregate accounted for approximately 70.2%, 59.2%, 72.2% and 74.0% of our total purchase of raw materials for each year of the three years ended 31 December 2009 and six months ended 30 June 2010, while our largest supplier of raw materials accounted for approximately 25.1%, 22.4%, 33.7% and 26.1% of our total purchase of raw materials for each respective year during the same period.

We make the procurement of raw materials a top priority. We select raw material suppliers based on their track record, reputation, production capacity and the quality of their products. New candidates that apply to become our suppliers are required to go through a stringent selection process.

The Group sources all raw materials from Independent Third Party suppliers.

Our purchase agreements with our suppliers usually pre-set quantities and base prices, with quality requirements specified in each subsequent contract. The purchase price for raw materials is generally reset every month. Typically, we maintain purchase agreements with a term ranging from one month to one year with our suppliers, or purchase orders we submit from time to time. As pricing with our customers is generally renegotiated each year, the price to which we commit at the beginning of the year also determines our ability to pass on increases in raw material prices. We cannot assure you that we would be able to pass on any raw material price increases to our customers.

For sourcing of raw materials, the Group generally receives credit terms from its suppliers between zero and 60 days. The payment terms for the Group’s purchases with its suppliers vary from each other and payments are mainly made through bank transfers or letters of credit.

The Company has not entered into any hedging arrangement to mitigate any possible impact from fluctuations in the prices of our principal raw materials, such as LPB and polyethylene. We have historically considered it unnecessary to enter into such hedging arrangements due to the specialised nature of the polyethylene we use and the current lack of a suitable polyethylene market for effective hedging arrangements in the PRC. However, as the volume of our purchases increases due to our expansion in capacity, we may consider exploring alternative hedging arrangements going forward.

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In the PRC, we have a sales team comprising 26 staff as of 30 June 2010, with two customer managers focusing on our major customers and the rest of the team focusing on customers categorised by product category or location. Our sales representatives are divided into five major sales regions in the PRC based on the location of our customers. The five regions are Guangdong and Guangxi, Northwest China, Southwest China, Northeast China and Eastern China. In each region, our sales representatives maintain regular contact with customers to track product performance and ensure customer satisfaction. Our sales department is responsible for handling enquiries, processing and allocating orders to our production team, confirming orders and product specifications from customers, and providing after-sales services such as gathering market information and conducting surveys. Most of our sales professionals are university graduates and on average have been part of our sales force for more than five years. We hold training sessions from time to time to educate our sales professionals on business skills and sales strategies.

In the international market, our Group has adopted a strategic regional sales and marketing system and established an extensive sales and marketing network across Europe and the Americas. Our international sales team has over 100 years of cumulative experience in aseptic packaging. We engage business managers in certain European countries including Switzerland, France and Germany and a network of representatives and agents throughout North America, South America and Asia. We have entered into agreements with our representatives and agents in Asia and signed letters of intent with our representatives and agents in North America and South America in relation to marketing and distribution of our aseptic packs. We were still in the process of negotiating the terms and conditions of definitive agreements to be entered into with the representatives and agents in North America and South America as at the Latest Practicable Date.

Our sales personnel are responsible for maintaining regular contact with our existing customers in order to provide reliable service and support as well as to react promptly to their needs. In addition, these sales personnel are also responsible for handling ad hoc product enquiries and for cultivating relationships with potential new customers. Through regular contact with our customers, we are able to ascertain the current and future demand for existing products and the potential demand for new products. We also work closely with our customers and other employees to ensure that our research and development efforts and production processes adapt to the changing needs of our customers.

Marketing

Our Group’s marketing activities are tailor-made for our customers and geared towards supporting the activities of our sales team by keeping abreast of industry trends, interacting with existing customers, cultivating new relationships and building brand awareness. With our sales offices, production and R&D facilities located in close proximity to our customers, we are able to visit our customers in the PRC regularly. This enables us to identify market trends, understand customers’ evolving needs, adjust and manage our production processes and proactively resolve customers’ issues and concerns. These regular contacts, visits, surveys and interviews allow us to gain insight into the latest market trends and to capture business opportunities ahead of our competitors. We also distribute marketing materials we produce from time to time to our customers in person during such visits or otherwise by email or mail.

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We participate regularly in industry exhibitions and international trade fairs held in the PRC and internationally.

To attract new customers and to maintain brand awareness in the industry, we regularly advertise our Company and products in industry magazines and on our own website. Our senior management team also gives interviews to industry magazines from time to time to raise our profile. For each of the three years ended 31 December 2009 and six months ended 30 June 2010, our advertising expenses were RMB3.6 million, RMB2.5 million, RMB3.2 million and RMB1.9 million, respectively. We will continue to broaden the scope of our marketing activities with new initiatives.

CUSTOMERS

During the Track Record Period, we served leading dairy producers in the PRC. We also served dairy and NCSD producers in the PRC and internationally (e.g. France, Germany, Russia, Czech Republic, Saudi Arabia, etc.).

For the three years ended 31 December 2009 and six months ended 30 June 2010, our five largest customers accounted for 65.7%, 72.7%, 72.8% and 70.1%, respectively, of our total revenue, while our largest customer accounted for approximately 23.4%, 26.5%, 31.3% and 34.0% of our total revenue for each respective year during the same period. We have been engaged in business with these customers over the Track Record Period for more than four years on average. None of our Directors or their associates has any interest in any of our five largest customers.

Credit terms

We extend credit very selectively to customers whom we consider to have established good track records of timely payments. For such customers we typically extend a credit period of 15 to 90 days. For new, smaller customers, we require some amount of advance cash payment. The advance payment amount is determined on a case-by-case basis and varies depending on the size of the order.

Our Group made provisions for bad and doubtful debts of RMB1.1 million, RMB6.1 million, a net write back of provisions for bad and doubtful debts of RMB0.9 million net provisions for bad and doubtful debts of RMB0.05 million respectively during each of the three years ended 31 December 2009 and the six months ended 30 June 2010. For more information, please refer to the section headed “Financial Information — Critical Accounting Policies and Estimates — Estimated provision for doubtful debts” in this document.

Customer contract terms

While most customer sales are conducted solely by purchase order, which is used for all customer sales, the Group has two long term sales agreements with leading PRC dairy and NCSD producers, with terms ranging from three to five years. For the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, the two long term sales agreements accounted for approximately 23.4%, 26.9%, 44.1% and 50.8%, respectively, of our total revenue for the relevant period.

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Under these long term sales agreements, our Group agrees to supply aseptic packs to the customers as a non-exclusive supplier at pre-determined unit prices. There is no minimum purchase requirement under these long term sales agreements. The payment terms vary for each customer and are determined on an order-by-order basis, while payments are mainly made through bank transfers or letters of credit. The Group guarantees that the quality of the aseptic packs will comply with the Product Quality Law of the PRC and requirements for the relevant products. The terms and conditions of our sales agreements generally cover delays in shipment or payment and product returns in the event of quality defects. The Group is responsible for delivery and shipping, and insurance coverage related to the aseptic packs. In the event of a breach, the non-breaching party may terminate the sales agreement.

Other than the two long term sales agreements as described above, typically, we maintain non-exclusive sales agreements with all of our other customers for a term of approximately one year and there is no minimum purchase requirement thereunder. Under these typical sales agreements, the Group guarantees that the quality of the aseptic packs will comply with the Product Quality Law of the PRC and requirements for the relevant products. In addition, subject to the terms of these sales agreements, the Group will generally allow return of products in the event of quality defects.

For international sales, as the delivery of aseptic packs is made according to either “free on board” (FOB) or “delivery duty unpaid” (DDU) arrangement, we rely on our customers for compliance with the relevant laws and regulations in the relevant jurisdictions.

Pricing

Prices for orders are negotiated on an order-by-order basis with each customer. In determining our product prices, the factors that we consider include but are not limited to:

- production costs (including costs of our raw materials)
- production cycle
- sales region
- pack types
- development stage of particular products
- competitive pricing strategies of our competitors

Indemnity

Under a typical purchase order entered into between our Group and a customer, we would indemnify our customer for certain costs and expenses related to a delay in delivery of our products of more than ten days (other than a delay caused by late payment by our customers). A reciprocal indemnity obligation would also typically be agreed by our customers that would cover certain costs and expenses we may incur in the event our customer delays settling the purchase price by more than ten days. The amount of each party’s indemnity obligation would generally be of a pre-determined level based on the amount of the purchase order.

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Termination

Our customers are generally entitled to terminate a sales contract if we fail to deliver the products within a certain period after the agreed delivery date, which is normally around 60 days. Similarly, in most cases we are entitled to terminate a sales contract in the event, a customer fails to take delivery of our products within a certain period, which is normally around 60 days.

RESEARCH AND DEVELOPMENT

We highly value our strong research and development support team. As of the Latest Practicable Date, we had a research and development team of seven engineers and technicians with each person holding a bachelor or other advanced degree and all personnel having undergone additional specific training from our Group. As of 30 June 2010, our research and development team is assisted by 116 engineers and technicians who, apart from performing production and other operational functions, engage in research and development projects organised and executed by our R&D Centres in Beijing and Shanghai.

We have been engaging in the development and improvement of aseptic packs since the commencement of our business. Our research and development team strives to improve our production process, product quality and product compatibility to reinforce our competitive advantage in the market. In particular, our research and development efforts are focused on: (i) identifying processes that improve our cost-efficiency and our customers’ production efficiency; (ii) identifying alternative production materials to generate comparable performance at a lower cost to our customers; and (iii) assessing the feasibility of developing filling machines. Over the Track Record Period, we spent approximately RMB24.0 million, or approximately 1.1% of our revenue over the Track Record Period, on research and development.

The establishment of our R&D Centres enabled us to develop into a vertically integrated provider of aseptic packaging solutions covering aseptic packs production and related support services including spare parts and onsite technical assistance.

ENVIRONMENTAL MATTERS

Our business is subject to the PRC’s environmental laws and regulations as well as environmental regulations promulgated by the local governments where our Group operates. Our Group is committed to operating in a manner that complies with applicable environmental laws and regulations. Our Group has taken steps to ensure proper disposal of waste and by-products from operations so as to minimise adverse effects to the environment. Waste produced by our Group is treated at our production facilities in compliance with applicable environmental standards. During the Track Record Period, we regularly installed and upgraded our environmental protection equipment, and we paid appropriate waste disposal charges and inspection fees.

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Our Group also aims to conduct our operations in a manner that complies with international environmental standards and we place a strong emphasis on environmentally responsible practices in our operations. We initially obtained ISO 14001 certification for our environmental management standards in 2004. In an effort to achieve more sustainable production processes, we print all of our packaging using environmentally-friendly water-based inks and we request proof of either FSC, SFI or PEFC sustainable forestry certifications from all of our LPB suppliers. During the design phase of our Hellingeer Factory, we undertook a “carbon footprint” accounting which has allowed us to institute a carbon-neutralisation scheme with respect to the environmental impact of the facility’s construction. We are also in discussions with the other leading aseptic pack providers in the PRC to form a recycling alliance, which will be dedicated to the promotion of post-consumption recycling activities in the PRC.

Our Group has implemented an internal control system to monitor and ensure compliance with applicable environmental protection and quality control standards. Responsibilities are divided between our Group’s quality control and engineering departments. Our Group intends to continue to strengthen its environmental protection measures to mitigate against non-compliance risks and maintain its compliance with all applicable environmental laws, regulations and standards, including the recommendations and requirements set out under the environmental approvals obtained by it. To tighten our internal control and corporate governance measures, we have adopted internal guidelines to identify all necessary environmental related approvals, the timing for obtaining such approvals as well as the potential breaches in a timely fashion in order to prevent occurrence of breach of any environmental laws and regulations. A crisis management team comprised of, among others, Mr Bi, our Chief Executive Officer and the factory managers of our Gaotang Factory and Hellingeer Factory, who meet at regular intervals to discuss potential risks affecting the operations of our Group and the appropriate preventive measures, including risks associated with any potential non-compliance with relevant PRC environmental laws and regulations was also set up. Furthermore, the factory managers of our Gaotang Factory and Hellingeer Factory have been appointed as the responsible personnel in relation to the implementation of such internal control measures. They have extensive knowledge and experience in monitoring and managing factories to ensure compliance with the PRC environmental laws and regulations as well as implementing and maintaining our environmental management standards and quality management system to ensure that they meet the standards of ISO 14001 certification and ISO 9001 certification respectively.

As of the Latest Practicable Date, we had not received any notifications or warnings, nor had we been subject to any fines or penalties in relation to non-compliance or breaches of environmental laws or regulations during the Track Record Period which could materially and adversely affect our operations. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our costs incurred for compliance with PRC environmental protection laws and regulations were approximately RMB4,000, nil, RMB829,209 and RMB79,832 respectively. Assuming that there are no changes to the environmental laws and regulations in the PRC applicable to our Group and based on the existing scale of operation, we expect that our environmental compliance cost will be around RMB257,084 in 2010.

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All our operating subsidiaries in the PRC have also obtained the permits that are currently required from relevant authorities for the discharge of pollutants. Save as disclosed above, our PRC legal adviser, Commerce & Finance Law Offices, has advised that we have, as far as environmental protection is concerned, acquired all licenses, permits or certificates necessary for the manufacturing of our products, and that we have complied in all material respects with all applicable laws and regulations in the PRC with respect to environmental protection.

AWARDS AND RECOGNITIONS

The following table sets out some of the awards and accreditations received by our Group from industry bodies in the past five years:

Award/accreditation	Awarding entity	Year of grant
China Famous Brand Packaging Products Awards (中國包裝名牌產品)	China Packaging Federation (中國包裝聯合會)	April 2006
China Leading Packaging Enterprise Award (中國包裝龍頭企業)	China Packaging Federation (中國包裝聯合會)	April 2006
One of the Most Outstanding Contributors of the 20 Most Innovative Technologies of China’s Packaging Industry in the Past Decade in the Category of Aseptic Packaging (推動中國包裝業10年中20項創新技術的傑出貢獻企業)	International Packaging News for China (國際包裝商情), Ringier (榮格貿易出版有限公司)	November 2006
20 Most Innovative Technologies of China’s Packaging Industry in the Past Decade (中國包裝業20項創新技術)	International Packaging News for China (國際包裝商情), Ringier (榮格貿易出版有限公司)	November 2006

COMPETITION

The aseptic packaging industry has been and currently remains largely dominated by Tetra Pak, the leading multinational provider of aseptic packs and standard roll-fed filling machines, with several other global providers also serving the market. As an alternative supplier in the aseptic packaging industry, we inevitably face competition from other dominant suppliers including Tetra Pak and from time to time are subject to pricing and sales strategies adopted by them.

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According to Frost & Sullivan, Tetra Pak had a market share of 70.2% in the PRC in terms of sales volume in 2009. Tralin Pak was the second largest supplier in the PRC with a market share of 9.6% in terms of sales volume. Among local players, Tralin Pak had the largest market share. Together, the top three aseptic packaging suppliers accounted for 88.0% of the total sales volume in 2009. The following table sets forth the ranking and market shares of the top three aseptic packaging suppliers in the PRC by volume.

Ranking	Name	Market Share by Volume
1	Tetra Pak	70.2%
2	Tralin Pak⁽¹⁾	9.6%
3	SIG Combibloc	8.2%
—	Others	<u>12.0%</u>
	Total	<u><u>100.0%</u></u>

Note:

(1) Greatview sells its aseptic packs using the trade name Tralin Pak.

Source: Frost & Sullivan

We have benefited from effective enforcement of competition law which has prevented the dominant player from using its leading position to adopt anti-competitive behaviour even if such conduct would otherwise be legal if undertaken by non-dominant companies.

In the PRC market, in addition to competition with Tetra Pak, we may face competition from domestic and international competitors with respect to quality, price, support services, manufacturing capacity, brand recognition, and marketing. We may also face competition from new entrants to the aseptic packaging industry. Several international aseptic packaging companies have already established new operating facilities in the PRC, and others may do so in the future. These foreign-invested companies potentially have greater access to global financial resources and may possess more sophisticated technologies and more advanced management structures than our Group. Nonetheless, we believe the barriers to entry in the aseptic packaging market are high and we believe the barriers include:

- extensive technical and operational know-how to achieve high precision and quality standards and to quickly trace product performance issues to their root cause;
- substantial capital investment required for building production facilities and achieving the requisite scale of production;
- customers’ reluctance to adopt new suppliers of aseptic packaging given their stringent quality requirements and aversion to potential food safety risks, and, given the particularly stringent requirements of the dairy industry, the time necessary to build a strong reputation and earn the trust of dairy customers; and

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- difficulty of establishing relationships with raw material suppliers that meet high quality food standards.

In addition to competition within the aseptic packaging industry, we also face competition from alternative packaging formats such as aluminium and plastic, particularly in the NCS D market. In the dairy market, there is less competition with other packaging formats because few alternatives exist for packaging fresh milk in a sterile environment. However, because more alternatives exist for packaging NCS Ds, such as aluminium cans or plastic bottles, aseptic packaging faces stronger competition from other formats in the NCS D market. Nonetheless, we believe that paper aseptic products will continue to be popular primarily due to (i) their ability to provide a bacteria-free environment for perishable food products without the need for refrigeration facilities, which is particularly essential for dairy products; (ii) their flexibility for design and shaping; and (iii) their environmental friendliness.

We are confident that our proven track record for producing high-quality aseptic packaging and our established relationships with raw material suppliers, together with the inherent technical complexities of our production processes and extensive capital investment required for building up production facilities will be factors in deterring our competitors. These factors give our Group a competitive advantage over our direct competitors and enable us to enjoy a higher profit margin as well as raise our international profile in the future.

Please also refer to our competitive strengths as set forth in the section headed “Business — Our Competitive Strengths” in this document and the section headed “Industry Overview — Competitive landscape in the PRC” in this document for more details about our competitiveness in the industry.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights and business know-how are of fundamental importance to our business. These intellectual property rights and knowhow cover design and production processes with respect to our aseptic packaging materials. They also cover our innovations with respect to our aseptic packaging features and services. We have utilised the extensive knowledge and expertise of various members of our senior management team in the aseptic packaging industry and relied on their past industry experience in developing our own proprietary product and process technologies for aseptic packaging materials.

Since we began producing aseptic packs compatible with industry standard roll-fed filling machines in 2004, we have taken measures to prevent infringement of third party intellectual property, to protect our freedom to operate and to establish our own intellectual property rights. Since 2004 we have engaged external intellectual property legal advisers to conduct reviews of third party patents to ensure that our products and production processes are not infringing. We conduct such reviews so as to avoid infringing third party rights, as well as to protect our freedom to operate. In the course of such reviews we have identified patents we consider to be invalid and have initiated opposition or nullity/revocation proceedings seeking to invalidate or nullify such patents. As of the Latest Practicable Date, we have successfully invalidated several PRC patents previously owned by a third party and related to aseptic packaging technology or production methods. In addition, as of the Latest Practicable Date, we have several pending opposition proceedings to invalidate other PRC patents related to aseptic packaging technology or production methods. However, we cannot assure that we will continue to be successful in any attempts to invalidate or nullify patents going forward.

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In addition to working with external intellectual property legal advisers, we have built internal intellectual property teams to continue regular and on-going review of third party patents, to protect our freedom to operate, and to establish our own intellectual property rights. Our patent review team is led by Mr Liu, who holds a Ph.D. in Materials Science and Applied Physics from Cornell University, and consists of six members that review patents related to our operations both to ensure non-infringement and to identify patents that may be invalidated. The team has, without assistance from external intellectual property legal advisers, successfully invalidated some of the patents mentioned above. Our patent prosecution team is led by our in-house patent engineer, who possesses over 10 years of experience in the intellectual property field, and consists of six members that establish our intellectual property rights by selectively converting some of our innovations into patents. As at the Latest Practicable Date, we held five PRC patents relating to aseptic packaging materials and their related production process and 25 PRC patents relating to standard roll-fed filling machines. As intellectual property is of fundamental importance to our business, we plan to continue to invest in our internal intellectual property teams and to engage external intellectual property legal advisers where necessary.

We also use a number of trademarks and trade names in connection with our business, namely “Tralin-Pak”. Pursuant to the Trademark Licensing Agreement, Shandong Tralin Packaging has been licenced to use the PRC Trademarks for a term of five years. The licensing arrangement is a result of the historical shared use of the related trademarks between our Group’s aseptic packaging business and other businesses of Tralin Paper before our Group’s present management took over the aseptic packaging business and before Mr Li ceased to be a shareholder of our Group. Under the Trademark Licensing Agreement, Tralin Paper is precluded from further licensing the PRC Trademarks to any other third parties except for Shandong Tralin Packaging, but Tralin Paper is not restricted from granting licenses to its own subsidiaries to use the PRC Trademarks. The license to use the PRC Trademarks has been granted free of royalty for the first four years from signing, and at a royalty to be agreed commencing from the 5th year from the signing of the Trademark Licensing Agreement. The amount of royalty payable by Shandong Tralin Packaging from the 5th year of signing of the Trademark Licensing Agreement will be determined between Tralin Paper and Shandong Tralin Packaging on an arm’s length basis with reference to the sales volume and revenue of our aseptic packs during the first four years from the signing of the Trademark Licensing Agreement and a supplemental agreement will be entered into to determine such royalty. Nevertheless, our Company is introducing new brands as detailed below and the process of which is expected to be completed within the royalty-free period of four years under the Trademark Licensing Agreement in or around 2014. Upon completion of this new branding process, our Company does not intend to use the PRC Trademarks. Shandong Tralin Packaging has also agreed to use the PRC Trademarks only within PRC (provided that any sales of products to overseas market shall not be so restricted) according to pre-determined trademark usage guidelines. Tralin Paper is entitled to terminate the Trademark Licensing Agreement immediately by way of written notice if Shandong Tralin Packaging is in breach of the pre-determined trademark usage guidelines and fails to rectify upon receipt of notice requiring rectification in writing for twice or is otherwise in breach of the agreement and fails to rectify within 30 days upon receipt of notice requiring rectification. As our Group prints our customers’ logos and designs on our aseptic packs and the PRC Trademarks are mainly used for identification, general promotion and corporate purposes, should we lose the right to use the PRC Trademarks, we could seek license to use other

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trademarks for our business from other available sources and our Directors believe that the PRC Trademarks could be replaced by other trademarks from other available sources at a reasonable cost within a reasonably short period of time and the overall financial and operational impact of such replacement on our Group’s business would not be material.

Tralin Paper, a company principally engaged in production and sales of, among others, art paper, fine paper, market pulp and duplex board so far as our Directors are aware, has registered and applied for registration for certain other trademarks similar or identical to the PRC Trademarks. Although these other trademarks have never been used by our Group in connection with our operations or business, Tralin Paper has been using these other trademarks for its businesses and in relation to its other paper products. Based on the advice of our PRC legal adviser, Commerce & Finance Law Offices, under the trademark laws of the PRC, identical or similar trademarks registered by the same registrant in respect of the same or similar products must be transferred together and the same principle shall apply to trademarks under application under the PRC trademarks law. Therefore, our PRC legal adviser, Commerce & Finance Law Offices advised that the PRC Trademarks could not be separately transferred to our Group without transferring the other similar trademarks registered or under application by Tralin Paper being used by it on similar products simultaneously. As such, Tralin Paper has retained ownership of the PRC Trademarks as well as the other similar trademarks. In light of the aforesaid, we have entered into the Trademark Licensing Agreement as described above and there is no present or future plan for transfer of the PRC Trademarks from Tralin Paper to our Group.

In the meantime, our Company is in the process of introducing new brands for marketing purpose and as part of this process has made as at the Latest Practicable Date, 101 trademark registration applications in Hong Kong and in the PRC as set out in the section headed “Statutory and General Information — Intellectual property rights of our Group — Trademarks” in Appendix VI to this document. Our Company will be promoting the new brand among our customers using these new trademarks and the PRC Trademarks may no longer be used upon completion of this new-branding process and it is expected that this new-branding process will be completed in or around 2014.

We seek to protect our intellectual property rights by relying on laws and regulations such as trademark and patent laws of the PRC and by imposing confidentiality obligations on employees in our research and development facilities and on our senior staff in the sales department. Please refer to the section headed “Risk Factors — Risks relating to intellectual property rights — We may not be able to adequately protect our intellectual property rights and business know-how” in this document regarding our risks of failing to protect our intellectual property rights. Many of our production processes and elements of our aseptic packs involve know-how, technology or data that are not protectable by patents as they are complex, high precision production processes which involve a combination of techniques and formula. For example, we rely on the knowledge of our staff to procure raw materials with formulated specifications, which is essential for production of high grade aseptic packs that could preserve its filled content over time. Throughout the production process of our aseptic packs, it is essential that our sophisticated machines are properly operated and that the stringent quality control standards at each production stage are maintained, all of which would not be possible without the specific skills and techniques of our staff. We have also strategically refrained from applying for patents in respect of our production processes and opted instead to protect such know-how as trade secrets so as to avoid public disclosure through the patent process.

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Further details of the intellectual property rights of our Group are set out in the section headed “Further Information about our Business — Intellectual property rights of our Group” in Appendix VI to this document.

Litigation

Participants in the aseptic packaging industry seek to protect various technologies through a wide array of patents and other intellectual property rights. At times there is intellectual property litigation involving patents, copyrights, trademarks, trade secrets and other intellectual property subject matter in our industry. We have received from a third party, and may from time to time receive from third parties, assertions and claims that our products, designs and processes infringe upon patents or other intellectual property rights of others. While we believe that to date, we have not infringed upon, and our employees have not breached confidentiality or other agreements relating to third party intellectual property rights and that claims filed against us in the past have been without merit, owing to the competitive nature of our industry, our need to maintain compatibility with standard roll-fed filling machines manufactured by third parties, and the complexity of our manufacturing process and filling machines, including their components and spare parts, we may face claims for past or future infringement of intellectual property. Whether or not an infringement or misappropriation claim is valid, has merits or is successful, we could incur significant costs in the defence of such claims or could suffer adverse effects on our business and/or operations. Please refer to the section headed “Risk Factors — Risks relating to intellectual property rights — We have been, and in the future may be from time to time, subject to claims of intellectual property rights infringement” in this document.

On 23 July 2010, Tetra Laval Holdings & Finance S.A., Pully, Switzerland filed a complaint against named defendants Tralin Pak Europe GmbH and Tralin Packaging Company Limited in the Düsseldorf district court (*Landgericht Düsseldorf*) in Germany alleging patent infringement of claim 1 of the European patent 1 164 085 related to aseptic packaging material. The complaint seeks injunctive relief, information and accounting, and damages. We intend to defend ourselves vigorously and on 21 September 2010 filed a notification of our intention to defend against the claim. In addition, on 20 October 2010, we commenced opposition proceedings before the European Patent Office (“EPO”) to invalidate the subject patent in question in Tetra Pak’s infringement claim, with effect throughout all EPO member states. We and Freshfields Bruckhaus Deringer LLP believe that we have a strong case to defend against Tetra Pak’s infringement allegations and to invalidate the patent in the opposition proceeding. In the opposition proceeding, on the grounds that the claimed invention (i) lacks novelty; (ii) is insufficiently disclosed; and (iii) would have been obvious to a skilled person in the industry, we believe that the patent is invalid and should not have been granted in the first place. Both proceedings are ongoing.

If however Tetra Pak were to succeed on this patent infringement claim in Germany or any future claims elsewhere, we may be ordered to pay damages for past infringement and/or discontinue sales of certain of our products in Germany or in other countries. In addition, as the patent at issue in the German litigation is a European patent, any judgment against us in this case may be used by Tetra Pak as a reference case for filing additional infringement lawsuits throughout the European Union or other jurisdictions. Notwithstanding the fact that the method for calculating damages for patent infringement is substantially the same across Europe (i.e. the same three methods of measuring royalties, the amount of unjust profits received by an infringing party and/or damages suffered by the

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patent holder are used), any new lawsuit initiated by Tetra Pak in Europe claiming infringement of the European patent at issue in the German litigation may subject us to further damage claims. The occurrence of any of these events could have a material adverse effect on our business and operating results and, in any event, a protracted litigation could be costly and time-consuming and could divert management resources and attention from our business. Furthermore, Tetra Pak has substantially greater resources than our Company has and may file claims or lawsuits against us in the future in Europe or elsewhere, including in the PRC with regard to a patent corresponding to that at issue in the German litigation described above, and may be able to sustain the costs of complex patent litigation to a greater degree and for longer periods of time than we can. Please refer to the section headed “Risk Factors - Risks relating to intellectual property rights - If we are unable to successfully defend against pending or future patent litigation by Tetra Pak, we may be required to pay damages, discontinue sales of certain of our products in Germany or elsewhere, or revert to a previously-used production method that could result in additional costs to our Company and could negatively impact our sales” in this document.

As to future sales, if Tetra Pak were to succeed on this patent infringement claim in Germany or any future claims elsewhere, we may have to revert to a previously-used production method for the products we sell to Germany, Europe or other countries. We believe that a reversion to this previously-used production method would not have a material adverse effect on our business as we would not have to change our current production materials or purchase new equipment, or on our customers’ production costs and efficiencies, as it only requires a change in the formulation of a raw material in our production process. However, a reversion may require deployment of additional service engineers to our customers’ production sites to help our customers adjust to the packaging materials, which could result in additional costs to our Company in the estimated amount of approximately RMB15 million, and could negatively impact our sales. Other than the service costs associated with these engineers, there would be no other on-going additional or incremental costs if we were to revert to the previously-used production method. We used only the previously-used production method from 2003 to early 2008, when we began transitioning to the current method. During that time or since, we have not been aware of any infringement and have never received notice of infringement of any third party registered patents related to the use of the previously-used production method. We, Freshfields Bruckhaus Deringer LLP and An, Tian, Zhang & Partners believe that this previously-used production method does not infringe any Tetra Pak registered patents. In addition, we believe that a reversion to this previously-used production method would not have a material impact on our European expansion.

In addition, without regard to the outcome of this pending litigation with or any future claims by Tetra Pak, as part of our ongoing efforts to optimise our production process, we have been carrying out research and development initiatives to develop a new production method. When available in the near-term, we expect to utilise this new production method for the production of our products.

Although Tetra Pak does not specify an amount of damages in its complaint in the German litigation described above, if we were to fail to defend against the litigation, we could potentially face maximum damage and cost reimbursement claims by Tetra Pak of approximately RMB20 million and approximately EUR140,000, respectively, as advised and estimated by Freshfields Bruckhaus Deringer LLP, our legal adviser in such litigation. In the PRC, in the event that (i) Tetra Pak were to launch a similar patent infringement claim against us in the PRC with regard to a patent corresponding to that at issue in the German litigation described above, (ii) we were unable to invalidate such

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corresponding patent in the PRC, and (iii) we were unable to defend against such a claim in the PRC which is considered to be unlikely as advised by An, Tian, Zhang & Partners, our intellectual property advisers in the PRC, the maximum statutory damages award would be RMB1.0 million. Notwithstanding such estimations of damages and claims by our legal advisers, litigations inherently involve uncertainties and we cannot provide assurance as to the final outcome of any litigation including those relating to final damages or legal costs reimbursements awarded by the Court, if any.

No indemnity will be given by the Controlling Shareholder or other Shareholders to the Company against any cost or loss arising from this German litigation or any actual or possible patent infringement proceedings in relation to the current production method that might affect our Group.

INSURANCE

We maintain insurance policies with Independent Third Parties that cover potential losses or damages in respect of our production facilities. These policies cover losses arising from fire, flood and other natural calamities in respect of buildings, machinery, equipment and inventory. Our Group has not experienced any material business interruptions since we commenced our operations.

We also maintain insurance policies required under the laws where our production facilities are situated, including insurance for third party accident liability. Our product liability insurance covers potential liabilities for our products sold in the PRC, Europe and other parts of the world except for the United States and Canada. We currently maintain a product liability insurance policy for injuries and damages that occur in the PRC, Europe and other parts of the world apart from the United States and Canada and it provides coverage for our liability for bodily injuries, which includes physical injury, sickness and disease of any person as well as property damages resulting in loss of use of tangible properties caused by or arising out of our completed products that take place outside our offices, production facilities or any of our owned or leased premises in these regions. The aggregate limit and the limit for each claim amounts to US\$10 million for the entire policy period of around one year. Furthermore, we also maintain an additional product liability insurance policy for our products sold in the PRC which covers up to an aggregate of RMB2 million during the one-year policy period and up to RMB5,000 per claim as well as a product liability insurance for our products sold in Switzerland which covers up to US\$1 million in aggregate and for each claim during the one-year policy period.

Our Directors believe that our insurance coverage is in line with common commercial practice in the PRC and conforms with the market practices of other aseptic packaging producers in Europe and other parts of the world, which is sufficient for our type of business and operations. Our employees are provided with social insurance in conformity with PRC social security regulations, including medical insurance, unemployment insurance, pension insurance, work-related injury insurance, maternity insurance, and accident insurance. We also maintain travel insurance for some of our employees who are required to travel on business trips.

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During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims from third parties or material business interruptions related to the use of our aseptic packs. The Directors consider that our Group has sufficient insurance coverage for its business based on their knowledge of industry practice in the PRC and their experience gained in running and operating our business.

HEALTH AND SAFETY

To ensure our production facilities comply with applicable health and safety standards, we have obtained ISO 14001 in 2004. We have also established safety and precautionary guidelines as well as risk assessment control procedures for our employees to address potential risks associated with our production. As of the Latest Practicable Date, no prosecution has been made against us by any relevant authorities in respect of violations of applicable safety and health laws or regulations and our Directors confirm that we have complied with all such relevant laws, rules and regulations.

LEGAL AND REGULATORY MATTERS

Legal proceedings

Save as disclosed in the section headed “Business — Litigation” in this document, our Group was not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to be pending or threatened against any of our Group companies as of the Latest Practicable Date.

Environmental Matters

We commenced trial production at our Helingeer Factory and the second production line of our Gaotang Factory in May 2010 and September 2009, respectively, before obtaining the approvals for trial production for our Helingeer Factory in August 2010 and for the second production line of our Gaotang Factory in December 2009. Our PRC legal adviser, Commerce & Law Offices confirmed that the risk of any penalty or fine being imposed on our Group for these past instances of non-compliance is very low given the Group has taken appropriate remedial measures by obtaining trial production approvals within a few months thereafter. Further, each of Shandong Tralin Packaging, which operates our Gaotang Factory and Inner Mongolia Tralin Packaging, which operates our Helingeer Factory has obtained the environmental certificate from the relevant PRC local authority in July 2010 and August 2010 respectively, confirming that each of them has complied with the relevant PRC environmental laws and regulations since its incorporation. In addition, the operation of the Beijing R&D Centre has commenced in early 2008 while but the relevant inspection and acceptance approval has only been obtained by Beijing Tralin in September 2010. Our PRC legal adviser, Commerce & Finance Law Offices confirmed that the risk of any penalty or fine being imposed on our Group for this historical breach is very remote as Beijing Tralin has taken appropriate remedial measures and subsequently obtained the environmental certificate in October 2010, confirming that it has complied with the relevant PRC environmental laws and regulations since its incorporation.

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Regulatory matters

Save as disclosed in this document, we have obtained and currently maintain all necessary permits and licenses which are material to our production and sales activities during the Track Record Period and up to the Latest Practicable Date. Further, there were no prosecutions made against the Company nor findings notified to us by any regulating authority in the jurisdictions in which we operate of any material non-compliance with any rule, regulation or law to which our business is subject nor have periodic visits and audits during the Track Record Period up to the Latest Practicable Date uncovered any irregularities.

PROPERTY

Land use rights

As of the Latest Practicable Date, we owned land use rights to two parcels of land in Shandong and Inner Mongolia, with an aggregate site area of approximately 118,411.6 sq.m in China. The property valuer, Jones Lang LaSalle Sallmanns Limited, has valued the two parcels of land in Shandong and Inner Mongolia as of 30 September 2010. The text of the letter and the valuation certificates issued by the valuer are set out in Appendix IV to this document under the section headed “Property Valuation” in this document.

We have obtained the land use rights certificates for both parcels of land that we own in Shandong and Inner Mongolia.

Buildings

As of the Latest Practicable Date, we owned and occupied 14 buildings with a total gross floor area of approximately 42,491.41 sq.m. Among these 14 buildings, six buildings are located in Shandong and eight buildings are located in Inner Mongolia.

With respect to the six buildings in Shandong, we have obtained building ownership certificate for 4 buildings with a total gross floor area of approximately 13,287.13 sq.m. we also have obtained construction work planning permit (《建設工程規劃許可證》) and construction work commencement permit (《建築工程施工許可證》) for a construction project comprising one industrial and office building with a gross floor area of approximately 10,000 sq.m. As confirmed by the Company, the current construction has a planned gross floor area of approximately 10,095.28 sq.m. As advised by our PRC legal adviser, the current construction has obtained all necessary permits.

With respect to the eight buildings in Inner Mongolia, we have obtained building ownership certificate for a building with a gross floor area of approximately 16,239 sq.m. We also have obtained construction work planning permit (《建設工程規劃許可證》) and construction work commencement permit (《建築工程施工許可證》) to commence construction work of buildings with a total planned gross floor areas of approximately 19,276.7 sq.m. and 19,000 sq.m. respectively. As advised by our PRC legal adviser, the current construction has obtained all necessary permits.

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Leased properties

As of the Latest Practicable Date, we leased three properties with an aggregate gross floor or lettable area of approximately 8,970 sq.m from various third parties.

On 28 February 2010, we entered into a lease agreement with a third-party lessor, with the term commencing on 1 March 2010 and expiring on 30 May 2014, pursuant to which we leased a property in Chaoyang district in Beijing with an aggregate gross floor area of approximately 1,376 sq.m. This premises is being used by us as an office. Our PRC legal adviser, Commerce & Finance Law Offices, has confirmed that our lease agreement with the third-party lessor is legal and valid. However, such lease agreement has not been registered with the relevant PRC authority. Our PRC legal adviser, Commerce & Finance Law Offices, further confirmed that although the failure to register the lease agreement would not affect its legality, it would not be effective against challenges from third parties. As the registration of a lease agreement could only be made by the lessor, we have been urging and will continue to urge the lessor to register the relevant lease agreement. However, should we not be able to continue occupancy at this premises due to the lessor's failure to register such lease agreement and a successful challenge by a third party, we will seek an alternative site, which our Directors believe could be secured within a reasonably short period of time and at minimal cost given the premises is being used by us as an office and not as a production facility.

On 21 January 2010, we entered into a one-year lease agreement with a third-party lessor, with the term commencing on 16 April 2010, pursuant to which we leased a property in Minhang district in Shanghai with an aggregate lettable area of approximately 744 sq.m. As advised by our PRC legal adviser, we have not been able to ascertain the validity of the lease as the lessor has not provided us with the relevant building ownership certificate. Our PRC legal adviser further advised that the legality and validity of the lease agreement for this property are uncertain, and our rights under such lease agreement may not be enforceable against third parties. This premises is being used by us as an office and also serves as our Shanghai R&D Centre. We have been urging and will continue to urge the lessor to provide us with the relevant building ownership certificate. In case the lessor is unable to provide us with such certificate, we will not renew this lease agreement upon its expiration in April 2011. Should the foregoing situation happen or should we not be able to continue occupancy at this premises due to unenforceability of our rights under the lease agreement, we will seek an alternative site, which our Directors believe could be secured within a reasonably short period of time and at minimal cost given the premises is being used as an office and our Shanghai R&D Centre and not as a production facility.

On 10 October 2007, we entered into a ten-year lease with a third-party lessor, with the term commencing on 15 October 2007, pursuant to which we leased various buildings in Shunyi district in Beijing with an aggregate lettable area of approximately 6,850 sq.m. As advised by our PRC legal adviser, these various buildings have been constructed by our lessor on land leased from another third-party lessor to our lessor. We have not been able to ascertain the validity of the lease because we have not been provided with the relevant building ownership certificate by our lessor or the lessor of our lessor. These buildings are used by our Beijing R&D Centre for production of spare parts as well as research and development. Our PRC legal adviser further advised that the legality and validity of the lease agreement for these buildings are uncertain, and our rights under such lease agreement may not be enforceable against third parties. We have been urging and will continue to urge the lessor

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to provide us with the relevant building ownership certificate. Should we not be able to continue occupancy at this premises due to unenforceability of our rights under the lease agreement, we will seek an alternative site, which our Directors believe could be secured within a reasonably short period of time and at minimal cost given these buildings are being used as an office and our Beijing R&D Centre and not as a major production facility.

In order to address the above property defects, the Group has in place a series of internal control guidelines which aim at establishing strong corporate governance and ensuring compliance with all relevant legal and regulatory requirements across a wide spectrum of corporate affairs, including legal compliance and approval requirements. The Group is dedicated to the continuous enhancement and strengthening of its corporate governance and internal control system and will adopt and enforce further measures and mechanisms in the future as and when appropriate to ensure a high standard of corporate governance and internal control.

For further details of our defects in properties, please refer to the section headed “Risk Factors — Risks relating to our business — Defects in the titles to our leased properties and bank mortgages on our owned properties in the PRC may adversely affect our right to use such properties” in this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDER

Our Controlling Shareholder is an investment holding company whose only assets are the Shares and who does not conduct any other business activities. Our Company currently does not have any business dealings with our Controlling Shareholder or its respective associates nor does our Company currently have any financing arrangements provided by the Controlling Shareholder or its respective associates.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

None of our Controlling Shareholder, our Directors and their respective associates has an ownership interest in any business which competes or is likely to compete, either directly or indirectly, with our Company’s business.

Our Directors consider that our Group is capable of carrying on our business independent of our Controlling Shareholder and its associates on the following reasons:

Management independence and operational independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds all relevant licences necessary to carry on our business, and has sufficient capital, equipment and employees to operate our businesses independently from our Controlling Shareholder.

Our Company’s management and operational decisions are made by our Board and the senior management. Our Board comprises two executive Directors, five non-executive Directors and three independent non-executive Directors. Mr Hildebrandt James Henry, Mr Zhu Jia and Mr Lee Lap, Danny, three of our non-executive Directors, have been nominated by our Controlling Shareholder. Our Group believes that the independent non-executive Directors will be able to exercise their independent judgement and will be able to provide impartial opinion to the decision-making process of our Board to protect the interests of the shareholders of our Company. Furthermore, our Group believes that our senior management members, who have served the Company and/or our subsidiaries for a long time and have substantial experience in the industry in which our Company is engaged will be able to make business decisions that are of the best interest to our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. The joint company secretaries and senior management staff are independent of the Controlling Shareholder.

Financial independence

Our Group has its own financial management system and the ability to operate independently from our Controlling Shareholder from a financial perspective. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholder.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholder has confirmed that it is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with our Group’s business.

Our Controlling Shareholder entered into a deed of non-competition undertaking (the “**Deed**”) with our Company on 19 November 2010 pursuant to which our Controlling Shareholder has, among other things, irrevocably and unconditionally warranted and undertaken to our Company that at any time during the Relevant Period (as defined below), our Controlling Shareholder shall, and shall use its best endeavours to procure that its associates (as defined in the Deed) (other than members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise) or as principal or agent, and whether on its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of our Company), do any of the following:

- (i) carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with any business (the “**Business**”) (including the manufacturing and sale of aseptic packaging materials and standard roll-fed filling machines for dairy and beverage companies) presently carried on by any members of our Group or any other business that may be carried on by any members of our Group from time to time during the term of the Deed (the “**Restricted Activity**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise; and
- (ii) take any action which interferes with or disrupts or may interfere with or disrupt the Business including, but not limited to, solicitation of any of the customers, suppliers or employees of any subsidiary of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The above restrictions do not apply when our Controlling Shareholder having any interest in not more than 5% of the issued shares in any company engaging any Restricted Activity (the “**Subject Company**”) which is or whose holding company is listed on any recognised exchange (as defined under the SFO) even though the business carried on by the Subject Company is or is likely to be in competition with the Business provided that (i) there is a holder (together where appropriate, with its associates (as defined in the Deed)) with a larger shareholding in the Subject Company than the aggregate shareholding held by our Controlling Shareholder and/or its associates (as defined in the Deed) at all times and (ii) the total number of our Controlling Shareholder’s representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to its shareholding in the Subject Company.

Under the Deed, our Controlling Shareholder has further undertaken to our Company the following:

- (a) it shall not appoint directly or indirectly any executive director in the Subject Company; and
- (b) if any new business investment or other business opportunity relating to the Business other than in our Company (the “**Business Opportunity**”) is identified by or made available to it or any of their associates (as defined in the Deed), it shall and shall procure that its associates (as defined in the Deed) (excluding any subsidiaries of our Company) shall refer such Business Opportunity to our Company on a timely basis and in the following manner:
 - (i) it shall and shall procure that its associates (as defined in the Deed) (excluding the subsidiaries of our Company) shall give written notice to our Company of such Business Opportunity within seven days identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity;
 - (ii) our Company shall seek approval from the Board or a board committee (in each case comprising, among others, independent non-executive Directors) who do not have a material interest in the Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Business Opportunity (any Director who has an actual or potential material interest in the Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity);
 - (iii) the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, the general market conditions in the Business’s industry in the PRC and any advice from independent financial advisers, should the appointment of which be deemed necessary by the Independent Board;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) if appropriate, the Independent Board may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;
 - (v) the Independent Board shall, within 30 days of receipt of the written notice referred to in paragraph (b)(i) above, inform our Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity;
 - (vi) our Controlling Shareholder shall be entitled but not obliged to pursue such Business Opportunity if it has received a notice from the Independent Board declining such Business Opportunity; and
 - (vii) if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by our Controlling Shareholder, it shall refer such Business Opportunity as so revised to our Company in the manner as outlined in the Deed as if it were a new Business Opportunity, and
- (c) It shall provide all information reasonably necessary for (i) the annual review by the independent non-executive Directors in respect of the compliance with the Deed by it; and (ii) the enforcement of the Deed; and our Controlling Shareholder shall make an annual declaration and disclosure in compliance with the Deed in the annual report of our Company, which declaration and disclosure shall be consistent with the [●].

For the above purpose, the “Relevant Period” means the period commencing from the date of the Deed and shall expire on the earliest of (i) the date on which our Controlling Shareholder ceases to hold directly or indirectly in aggregate 30 per cent or more of the entire issued share capital of our Company; or (ii) [●].

The independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed by our Controlling Shareholder.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board consists of ten Directors, including two executive Directors, five non-executive Director and three independent non-executive Directors. The table below sets forth information regarding our Board of Directors:

Name	Age	Position	Appointment Date	Principal Responsibilities
Mr BI Hua, Jeff (畢樺)	47	Chief Executive Officer and executive Director	29 July 2010	Overall business strategy formulation, execution and organizational development
Mr HONG Gang (洪鋼)	52	Chairman and executive Director	29 July 2010	Strategic development and supervision of daily marketing and communications of our Group
Mr HILDEBRANDT James Henry	50	Non-executive Director	29 July 2010	Development and monitoring of overall business strategy
Mr ZHU Jia (竺稼)	48	Non-executive Director	29 July 2010	Development and monitoring of overall business strategy
Mr LEE Lap, Danny (李立明)	38	Non-executive Director	12 October 2010	Development and monitoring of overall business strategy
Mr LEW Kiang Hua	57	Non-executive Director	29 July 2010	Development and monitoring of overall business strategy
Ms SHANG Xiaojun	37	Non-executive Director	29 July 2010	Development and monitoring of overall business strategy
Mr LUETH Allen Warren	42	Independent non-executive Director	15 November 2010	Scrutiny and monitoring of performance of our Group
Mr BEHRENS Ernst Hermann	62	Independent non-executive Director	15 November 2010	Scrutiny and monitoring of performance of our Group
Mr CHEN Weishu (陳偉恕)	64	Independent non-executive Director	15 November 2010	Scrutiny and monitoring of performance of our Group

Executive Directors

Mr BI Hua, Jeff (畢樺), aged 47, is our co-founder, Chief Executive Officer and executive Director. Mr Bi joined the Group in March 2003 and was appointed as an executive Director on 29 July 2010. He is primarily responsible for our overall business strategy formulation, execution and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

organizational development. Mr Bi is also a director of our subsidiaries, namely Greatview, Shandong Tralin Packaging, Inner Mongolia Greatview Aseptic Packaging and Beijing Greatview. Mr Bi has more than 14 years of experience in marketing development in the aseptic packaging industry as well as company management. From 1997 to 2003, he was a sales and marketing manager at a leading aseptic packaging producer. From 1992 to 1997, Mr Bi was the greater China manager of Echostar Corporation, a software and service provider for television companies worldwide. Mr Bi graduated from the University of Denver with a Master of Arts degree in 1992. He did not hold any directorship in any listed public companies in the last three years.

Mr HONG Gang (洪鋼), aged 52, is our co-founder, Chairman and executive Director. Mr Hong joined the Group in March 2003 and was appointed as an executive Director on 29 July 2010. He is primarily responsible for the strategic development, as well as supervision of daily marketing and communications of our Group. Mr Hong is also a director of all the subsidiaries of our Group. Mr Hong has more than 22 years of experience in the packaging industry. From 1993 to 2002, he held various executive positions with a leading aseptic packaging producer. Mr Hong graduated from Zhejiang University in China with a Bachelor of Science degree in 1982 and obtained a Master of Philosophy (Development Studies) degree from Sussex University in the United Kingdom in 1987. He did not hold any directorship in any listed public companies in the last three years.

Non-executive Directors

Mr HILDEBRANDT James Henry, aged 50, is a non-executive Director. Mr Hildebrandt joined the Group on 13 September 2006 and was appointed as a non-executive Director on 29 July 2010. Mr Hildebrandt is also a director of our subsidiaries, namely Greatview, Shandong Tralin Packaging, Inner Mongolia Greatview Aseptic Packaging and Beijing Greatview. Mr Hildebrandt is primarily responsible for the development and monitoring of the overall business strategy of our Group. Mr Hildebrandt is a managing director of Bain Capital. Prior to joining Bain Capital in 2005, Mr Hildebrandt was a partner and director at Bain & Company, where he worked for 18 years, helping to establish the Asian offices in China, Southeast Asia, Korea and Australia. Mr Hildebrandt had regional responsibility for the Asian Private Equity Practice, as well as the China and Southeast Asia Financial Services Practice. From 1983 to 1984, Mr Hildebrandt worked at the law firm of Bennett Jones in Calgary, Alberta, Canada. Mr Hildebrandt obtained an MBA from the Leland Stanford Junior University in 1986 and received a Juris Doctor from the University of Toronto in 1983. He did not hold any directorship in any listed public companies in the last three years.

Mr ZHU Jia (竺稼), aged 48, is a non-executive Director. Mr Zhu joined the Group in 2006 and was appointed as a non-executive Director on 29 July 2010. Mr Zhu is also a director of our subsidiaries, namely Greatview, Shandong Tralin Packaging, Inner Mongolia Greatview Aseptic Packaging and Beijing Greatview. Mr Zhu is primarily responsible for the development and monitoring of the overall business strategy of our Group. He is currently a managing director of Bain Capital Asia, LLC. From 1996 to 2006, Mr Zhu was a managing director of Morgan Stanley Asia Limited and the chief executive officer of its China business. Mr Zhu is also currently a non-executive director of SinoMedia Holding Limited (stock code: 623) GOME Electrical Appliances Holding Limited (stock code: 493) and Sunac China Holdings Limited (stock code: 1918), all are listed on the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Main Board of the Stock Exchange. Mr Zhu graduated from Zhengzhou University with a Bachelor of Arts degree in 1982 and obtained a Master of Arts degree from Nanjing University in 1984. He obtained a Juris Doctor from Cornell Law School in 1992. Save as disclosed above, he did not hold any directorship in any listed public companies in the last three years.

Mr LEE Lap, Danny (李立明), aged 38, is a non-executive Director. Mr Lee joined the Group in 2010 and was appointed as a non-executive Director on 12 October 2010. Mr Lee is also a director of Shandong Tralin Packaging, one of our subsidiaries. Mr Lee is primarily responsible for the development and monitoring of the overall business strategy of our Group. Mr Lee is currently a principal in the private equity team of Bain Capital Asia, responsible for sourcing and leading the execution of transactions, covering healthcare, chemicals, consumer and technology sectors in the Asia Pacific region. He led the investment into the Group by Bain Capital Asia in 2006. Prior to joining Bain Capital Asia in 2006, Mr Lee was with the Asian private equity arm and worked with the subsidiaries or affiliates of Sweden’s Investor AB since 1998, one of the largest industrial holding companies in the Nordic region. Mr Lee was a senior associate of Investor Asia Limited, which is now known as Investor Growth Capital, a wholly-owned venture capital arm of Investor AB, the largest listed industrial holding company in Northern Europe, from September 1998 to June 2000; vice president of imGO Limited, an investment holding company which was formed by among others, Investor AB in 2000 focusing on the emerging wireless communications area in Asia, from 2000 to 2002 and vice president of Investor Asia Limited from 2003 to 2006. From 1995 to mid-1998, Mr Lee was with Lehman Brothers Investment Banking in New York and Hong Kong. Mr Lee graduated from Columbia College of Columbia University with a Bachelor of Arts degree in economics in 1995. Mr Lee is a Chartered Financial Analyst. He did not hold any directorship in any listed public companies in the last three years.

Mr LEW Kiang Hua, aged 57, is a non-executive Director. Mr Lew joined the Group in 2005 and was appointed as a non-executive Director on 29 July 2010. Mr Lew is also a director of our subsidiaries, namely Greatview, Shandong Tralin Packaging, Inner Mongolia Greatview Aseptic Packaging and Beijing Greatview. Mr Lew is primarily responsible for the development and monitoring of the overall business strategy of our Group. Mr Lew is a managing director of CDH Investment Advisory Private Limited, a private equity fund management company based in Singapore. Prior to joining CDH Investment Advisory Private Limited in 2009, he was the chief financial officer of CDH China Management Company Limited from 2002 to 2008 and managing director of CDH Investments Management (Hong Kong) Limited from 2008 to 2009. From 1980 to 2002, he worked in a number of European and US multi-national corporations in the field of finance, operations and business management including setting up the first joint venture of each of Philips Electronics and General Electric Company in China. He graduated from Nanyang University in Singapore with a Bachelor of Commerce degree in 1978. He is a fellow of both the Institute of Certified Public Accountants of Singapore and the Association of Chartered Certified Accountants, United Kingdom. Mr Lew did not hold any directorship in any listed public companies in the last three years.

Ms SHANG Xiaojun, aged 37, is a non-executive Director. Ms Shang joined the Group on 5 May, 2005 and was appointed as a non-executive Director on 29 July 2010. Ms Shang is also a director of our subsidiaries, namely Greatview, Shandong Tralin Packaging, Inner Mongolia Greatview Aseptic Packaging and Beijing Greatview. Ms Shang is primarily responsible for the development and monitoring of the overall business strategy of our Group. Ms Shang is currently an executive director

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of CDH Investments Management (Hong Kong) Limited, an asset management company based in Hong Kong. Prior to becoming an executive director of CDH Investments Management (Hong Kong) Limited on 1 October 2010, Ms Shang was an executive director of CDH Investment Advisory Private Limited, a private equity fund management company based in Singapore during 2009 to 2010, vice president of CDH Investments Management (Hong Kong) Limited from 2007 to 2009. From 2003 to 2007, Ms Shang was a vice president of CDH China Management Company Limited. Prior to joining CDH China Management Company Limited in 2003, Ms Shang was an assistant vice president of GIC Special Investments' Asia Pacific private equity group, focusing on direct investment opportunities in China. From 1997 to 2001, she worked for DBS Land Limited and CapitaLand Residential Limited in the field of business development, strategic planning, asset management and corporate planning. Ms Shang graduated from the National University of Singapore, with a Bachelor of Business Administration degree in 1996 with a first class honour. She currently sits on the board of directors of Guangdong Haid Group Co. Ltd. (002311.SZ), a company which is principally engaged in the business of research and development, production and sale of pre-mixed aquatic feeds, mixed aquatic feeds, as well as mixed livestock feeds. Ms Shang was a director of AirMedia Group Inc. (AMCN NASDAQ) since October 2005 as a representative appointed by CDH China Growth Management Company Limited, a financial investor, and resigned from its board in November 2008 after listing of AirMedia Group Inc. in November 2007. Save as disclosed above, Ms Shang did not hold any directorship in any listed public companies in the last three years.

Independent Non-executive Directors

Mr LUETH Allen Warren, aged 42, was appointed as an independent non-executive Director on 15 November 2010. Mr Lueth is primarily responsible for scrutinizing and monitoring the performance of our Group. Mr Lueth is currently an independent director of CNinsure Inc. (NASDAQ - CISG), one of the largest independent insurance agencies in the PRC. Mr Lueth is also vice president of finance and strategy of Zuellig Pharma China, a private company focused on pharmaceutical distribution, and was its chief financial officer from June 2005 to February 2009. Prior to joining Zuellig Pharma China, Mr Lueth worked for GE Capital from 1998 to 2004 in a variety of roles, including chief financial officer and chief executive officer for the Taiwan operations, and representative for China. Earlier, he served with Coopers & Lybrand as an auditor. Mr Lueth received his bachelor of science in business degree from the University of Minnesota and an MBA degree from the J.L. Kellogg Graduate School of Management (Northwestern University). Mr Lueth obtained his certificate as a certified public accountant in 1991 and certified management accountant in 1994. Save as disclosed above, Mr Lueth did not hold any directorship in any listed public companies in the last three years.

Mr BEHRENS Ernst Hermann, aged 62, was appointed as an independent non-executive Director on 15 November 2010. Mr Behrens is primarily responsible for scrutinizing and monitoring the performance of our Group. Mr Behrens is currently a senior adviser on China business of Vermilion Partners Limited which is a private equity and investment advisory firm based in China offering a range of merchant banking and corporate advisory services to leading multinationals, Chinese companies and investors. Mr Behrens was the non-executive chairman of EADS China from 2007 to 2009 and president and chief executive officer of EADS China from 2005 to 2006. From 1997 to 2004, Mr Behrens served as president and chief executive officer of Siemens Ltd., China and from 1992 to 1997, he served as president and chief executive officer of Siemens Inc. Philippines. Prior to joining Siemens Inc. Philippines, Mr Behrens was an executive vice president of Electronic Telephone

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Systems, Industries Inc., Philippines from 1984 to 1992; a country representative for Siemens in Jebsen and Co. PRC, from 1981 to 1984; a technical and administration manager of Nixdorf Computers, Hong Kong from 1976 to 1981; head of field engineering of Nixdorf Computers, Germany from 1972 to 1976 and an electronics engineer of German Naval Air Force, Germany from 1968 to 1971. Mr Behrens was the chairman of the Executive Committee of Foreign Investment Companies (ECIFC) in China from 2002 to 2005; president of European Union Chamber of Commerce in China from 2002 to 2004; president of German Chamber of Commerce in China from 1999 to 2001; president of European Chamber of Commerce in Philippines from 1995 to 1997 and its treasurer from 1993 to 1994. Mr Behrens was honoured by Beijing Municipality with the Great Wall Friendship Award in 2004; awarded by Shanghai Municipality with the Magnolia Award Gold level in 2003 and decorated by the German government with the cross of the Order of Merit in 1993. He did not hold any directorship in any listed public companies in the last three years.

Mr CHEN Weishu (陳偉恕), aged 64, was appointed as an independent non-executive Director on 15 November 2010. Mr Chen is primarily responsible for scrutinizing and monitoring the performance of our Group. Mr Chen is the consultant member of Shanghai Pudong Development Bank, independent director of Shanghai International Port (Group) Co., Ltd. (SSE: 600018), The Royal Bank of Scotland (China) Co., Ltd., Suzhou Trust Co., Ltd. and Deluxe Family Co., Ltd., and also chairman of Academy for World Watch. He served various positions including secretary general of the Research Centre for Economics of Fudan University, deputy head of world economics department and professor and head of international finance department, and also vice president of Shanghai Pudong Development Bank, CEO and deputy chairman of Shanghai Industrial Holdings Ltd., chairman of Shanghai Industrial Development Co., Ltd. and vice chairman of Shanghai Industrial Investment (Holdings) Co., Ltd.. He has more than 46 years of experience in the areas of economics, financial research and banking, and corporate management. Mr Chen graduated from Fudan University with a master degree in economics. Save as disclosed above, Mr Chen did not hold any directorship in any listed public companies in the last three years.

[●]

SENIOR MANAGEMENT

Our senior management is comprised of our Directors, our company secretary and the following persons:

Name	Age	Position
Mr BERGGREN Peder Gustav	51	International Business Director
Mr CHANG Fuquan (常福泉)	53	Chief Financial Officer
Mr CHEN Guining (陳桂寧)	55	Chief Technical Officer
Mr GROSSENBACHER Pierre Michel Edmond	68	Senior Converting Advisor
Mr LIU Jun	49	Special Project Advisor
Mr YANG Jiuxian (楊久賢)	47	Sales Director

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Mr BERGGREN Peder Gustav, aged 52, is our International Business Director. Mr Berggren joined the Group in June 2008 and is primarily responsible for developing the Group’s international business and building an international organisation. Mr Berggren is also the managing director of Tralin Pak Europe, serving as the Group’s international office and leading the Group’s expansion into Europe, North America and South America. Mr Berggren has over 25 years of experience in the aseptic packaging industry. Prior to joining us, from 1984 to 2006 Mr Berggren was with a leading aseptic packaging producer, where he held general manager, managing director and vice president positions in South America, South East Asia, China, the Middle East, and most recently, Japan. Throughout his career Mr Berggren has been responsible for managing customer relationships, developing new markets, restructuring and leading sales, and formulating sales and marketing strategies in the aseptic packaging industry. Mr Berggren graduated from the University of Gothenburg in Sweden with a Bachelor of Science degree in International Business Administration and Economics in 1982, and has followed a number of management and marketing programs at IMD in Lausanne, Switzerland, in 2000 and 2003 respectively.

Mr CHANG Fuquan (常福泉), aged 53, is our Chief Financial Officer. Mr Chang joined our Group in June 2005. He is primarily responsible for the overall accounting, financial management and treasury of our Group. Mr Chang has over 22 years of experience in financial management. Prior to joining us, Mr Chang was the chief finance officer of Fujian Nanping Nanfu Battery Co., Ltd. from 2002 to 2005, the Finance Controller of John Deere Jialian Harvester Co. Ltd., from 1999 to 2001, the Deputy Finance Controller of China Automotive Components Corporation from 1997 to 1999, the Chief Financial Officer of San Miguel Bada (Baoding) Brewery Co., Ltd. from 1995 to 1996 and the Financial Director of China Enterprise Culture Group from 1992 to 1994. Mr Chang has also worked as the financial supervisor at 北京麥當勞食品有限公司(Beijing McDonald’s Food Co Ltd., from 1994 to 1995 and as an accountant in each of Bohai Oil Corporation and Oil Drilling Service Co, both being subsidiaries of China National Offshore Oil Corporation from 1985 to 1992. Mr Chang graduated from Xiamen University in the PRC in 1985, major in International Accounting. He completed a Master of Accounting Class in Xiamen University in the PRC in 1998.

Mr CHEN Guining (陳桂寧), aged 55, is our Chief Technical Officer. Mr Chen joined our Group in May 2003. He is primarily responsible for aseptic packaging filling line production and maintenance. Mr Chen has over 20 years of experience in the aseptic packaging industry. Prior to joining us, Mr Chen was a technical service engineer of a leading aseptic packaging materials producer from 1988 to 2001 and its field service manager from 2001 to 2003, respectively. Mr Chen graduated from the Beijing Open University with a Bachelor of Science in Machinery Science in 1983.

Mr GROSSENBACHER Pierre Michel Edmond, aged 68, is our Senior Converting Advisor and the Senior Converting Advisor of Shandong Tralin Packaging. Mr Grossenbacher joined our Group in May 2003. He is primarily responsible for converting, production, quality, organisational and technical advice. Mr Grossenbacher has over 30 years of experience in the aseptic liquid food packaging industry. From 1998 to 2002, Mr Grossenbacher was the general manager of China operations at a leading international provider of packaging systems for dairy and liquid food industry. Prior to that, Mr Grossenbacher was with a leading aseptic packaging producer from 1975 to 1998. Mr Grossenbacher obtained a Diploma in Physics Engineering from the Swiss Polytechnic University in Lausanne, Switzerland in 1966.

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Mr LIU Jun, aged [49], is our Special Project Advisor and the Advisor to Managing Director and the General Manager of Shandong Tralin Packaging. Mr Liu joined our Group in October 2009. He is primarily responsible for management and operation & Beijing Tralin. Mr Liu has over 16 years of experience in high-tech industries. Mr Liu was the general manager of the Shanghai branch of a process control product producer for the semiconductor, mask, and related industries from 2006 to 2009. Prior to joining the aforesaid company, Mr Liu was with an international producer of chemical vapour deposition (CVD), physical vapour deposition (PVD), electrochemical deposition (ECD), and surface preparation equipment used in the manufacturing of semiconductors. Mr Liu graduated from Peking University in the PRC with a Bachelor of Science in Physics in 1983. He obtained a Doctor of Philosophy (Ph.D) in Materials Science and Applied Physics from Cornell University in 1992 and an Executive MBA from the China Europe International Business School in the PRC in 2008.

Mr YANG Jiuxian (楊久賢), aged [47], is our Sales Director. Mr Yang joined our Group in September 2003. He is primarily responsible for domestic sales. Mr Yang has over 12 years of experience in dairy industry management and sales. Mr Yang was the general manager of NIUMAMA Dairy Co., Ltd. in 2003. Prior to joining NIUMAMA Dairy Co., Ltd., Mr Yang was a key account manager of Northeast China and Inner Mongolia for a leading aseptic packaging materials producer in Beijing from 2000 to 2003 and a key account manager of six provinces in southwest China for the aforesaid company’s Shanghai office from 1998 to 2000. Mr Yang graduated from the Beijing Union University with a Bachelor of Chinese Language and Literature degree in 1986.

Joint Company Secretaries

Ms MA Sau Kuen Gloria (馬秀絹) *FCIS, FCS (PE)*, aged 52, is a joint company secretary of our Company. Ms Ma is currently a director and Head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong, and has almost 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr CHANG Fuquan (常福泉) is a joint company secretary of our Company. For details of his biography, please refer to section headed “Senior management” above.

DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION

For the financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors by our Group was approximately RMB2.7 million, RMB2.4 million, RMB3.5 million and RMB1.7 million respectively. Details of our Directors’ remuneration are also set out in note 23 of the Accountant’s Report set out in Appendix I to this document.

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The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our five highest paid individuals for the financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 was approximately RMB5.6 million, RMB5.3 million, RMB6.9 million and RMB3.3 million respectively.

NON-COMPETITION

Each of our Directors has confirmed that he/she is not engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group.

EMPLOYEES

Overview

As of 30 June 2010, we had a total headcount of 712 full-time employees. We have not experienced any significant problem with our employees or disruption to our operations due to labour disputes. Notwithstanding the foregoing, our Directors believe that we have a satisfactory working relationship with our employees, which is expected to continue.

The number of our Group’s full-time employees by function as of 30 June 2010 was as follows:

<u>Functions</u>	<u>Number of Employees</u>
Research and development	17
Finance and accounting	22
Production and processing	541
Marketing and sales	60
Human resources	10
Administration	57
Information technology	<u>5</u>
Total	<u>712</u>

The remuneration package we offer to our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee’s qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Staff Training

Our Directors believe that our employees are among the most valuable assets of our Group and have contributed to the success of our Group. It is our policy to encourage the development and training of our employees according to their job description and needs. We not only provide pre-job training to our employees to equip them with the knowledge necessary for their respective job

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functions, for example, our corporate culture and introduction to our products and manufacturing processes, but also provide in-house-on-the-job training specific to each of their designations to enhance their technical skills. Moreover, we are aware of improving the social and environmental conditions of our work sites. We adopted the employee self-directed learning program in each location and according to which we implemented the e-learning platform for all of our employees in the PRC.

The expenses incurred on our staff training for the financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were RMB22,372, RMB317,494, RMB397,357 and RMB375,602 respectively.

Professionals in Senior Management

As of the Latest Practicable Date, there was a total of six employees in our senior management who have professional background, for example, professional engineering and accounting.

Staff Benefits

We make contributions to all mandatory social security funds including pension funds, medical insurance funds, unemployment insurance funds, maternity funds, work-related injury funds and housing provident funds for our employees in the PRC and Europe. These contributions, which are funded from our internal financial resources, are in compliance with the requirements of the PRC laws and regulations or laws and regulations in the respective jurisdiction in Europe. In addition to the mandatory social security funds and housing provident funds, we also provide accident insurance and accident related medical insurance to all of our employees. The Company has also adopted and implemented certain internal control and corporate governance guidelines and measures to identify and record the contributions to all mandatory social security funds and housing provident funds for our employees and to ensure that contributions are made on time in accordance with the relevant PRC laws and regulations or laws and regulations in the respective jurisdiction in Europe.

SHARE OPTION SCHEMES

We adopted the Pre-[●] Share Option Scheme on 15 November 2010. The purpose of the Pre-[●] Share Option Scheme is to provide an incentive for employees of our Company to work with commitment towards enhancing the value of our Company and our Shares for the benefit of our Shareholders, to compensate such employees for their contribution based on their individual performance and that of our Company and to attract and retain high calibre working personnel whose contribution is or may be beneficial to the growth and development of our Company and our Group as a whole.

In addition, our Company conditionally approved and adopted a Share Option Scheme on 15 November 2010. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed [●]. A summary of the principal terms of the Pre-[●] Share Option Scheme and the Share Option Scheme is set out in the section headed “Statutory and General Information — Share Schemes” in Appendix VI to this document.

SHARE CAPITAL

SHARE OPTION SCHEMES

We conditionally adopted the Pre-[●] Share Option Scheme on 15 November 2010. An aggregate of [●] Shares are issuable upon exercise of options granted under the Pre-[●] Share Option Scheme, representing approximately [●]% of the Shares in issue following [●].

In addition, our Company [conditionally approved and adopted] a Share Option Scheme on 15 November 2010. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed [●].

A summary of the principal terms of the Pre-[●] Share Option Scheme and the Share Option Scheme is set out in the section headed “Statutory and General Information — Share Schemes” in Appendix VI to this document.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate (the “**Issuing Mandate**”) to allot, issue and deal with our Shares with a total nominal value of not more than the sum of:

1. [●]% of the aggregate nominal amount of our share capital in issue immediately following the completion of [●] (without taking into account any Shares which may be issued and allotted pursuant to the exercise of any options under the Pre-[●] Share Option Scheme or any options that may be granted under the Share Option Scheme); and
2. the total nominal amount of our issued share capital repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issuing Mandate will expire:

- at the conclusion of our next annual general meeting; or
- at the expiration of the period within which our next annual general meeting is required by the Articles of Association, the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- at the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

whichever is the earliest.

For further details of this Issuing Mandate, see the section headed “Further Information about our Company and its subsidiaries — Written resolutions of our Shareholders passed on 15 November 2010” in Appendix VI to this document.

SHARE CAPITAL

REPURCHASE MANDATE

Our Directors have been granted the repurchase mandate, which is a general unconditional mandate (the “**Repurchase Mandate**”) to exercise all our powers to repurchase Shares with a total nominal value of not more than [●]% of the aggregate nominal amount of our share capital in issue immediately following [●] (without taking into account any Shares which may be issued and allotted pursuant to the exercise of any options under the Pre-[●] Share Option Scheme or any options that may be granted under Share Option Scheme).

This mandate relates only to repurchase made on the [●] or on any other [●] (which is recognised by [●] and [●] for this purpose) on which [●], and which are made in accordance with the [●]. A summary of the relevant [●] is set out in the section headed “Repurchase of Shares by our Company” in Appendix VI to this document.

The Repurchase Mandate will expire:

- at the conclusion of our next annual general meeting;
- at the expiration of the period within which our next annual general meeting is required by the Articles of Association, the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- at the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

For further details of this repurchase mandate, see the section headed “Further Information about our Company and its subsidiaries — Written resolutions of our Shareholders passed on 15 November 2010” in Appendix VI to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately before and following completion of the [●] and based on the information available on the Latest Practicable Date (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the options granted under the Pre[●] Share Option Scheme and may be granted under the Share Option Scheme and [●]), the following persons will have interests or short positions in any of our Shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Name of Shareholder	Nature of Interest and Capacity	[Number of Shares subject to options granted under the Pre-[●] Share Option Scheme]	Shares owned immediately after completion of the [●]	
			Number	Percentage
Phanron ^(Note 1)	Beneficial interest	[●]	[●]	[●]%
Mr Hong ^(Notes 1, 3 and 4)	Founder of discretionary trust and interests in controlled corporations	[●]	[●]	[●]%
Madam Xu Zhen ^(Note 1)	Interests of spouse	[●]	[●]	[●]%
Wiseland ^(Note 2)	Beneficial interest	[●]	[●]	[●]%
Mr Gao ^(Notes 2, 3 and 4)	Founder of discretionary trust and interests in a controlled corporation	[●]	[●]	[●]%
Madam Wang Wei ^(Note 5)	Interest of spouse	[●]	[●]	[●]%
CDH Packaging ^(Note 6)	Beneficial interest	[●]	[●]	[●]%
Bain Capital ^(Note 7)	Beneficial interest	[●]	[●]	[●]%

Note 1: Phanron is wholly-owned by Mr Hong. Under the SFO, Mr Hong is deemed to be interested in all of the Shares held by Phanron. Madam Xu Zhen is the spouse of Mr Hong and under the SFO, she is deemed to be interested in all of the Shares held by Mr Hong.

Note 2: Wiseland is approximately 58.1% owned by Foxing. Under the SFO, Foxing is deemed to be interested in all of the Shares held by Wiseland. Foxing is wholly-owned by the B&G Family Trust. Mr Gao (the brother of Mr Bi) is the settlor of the B&G Family Trust, which is a discretionary trust established for the benefit of Mr Gao and his relatives. Under the SFO, Mr Gao is deemed to be interested in all of the Shares held by Foxing.

Note 3: Wiseland is approximately 41.9% owned by Fosing. Under the SFO, Fosing is deemed to be interested in all of the Shares of Wiseland. Fosing is wholly-owned by the SM Trust. Parview is also wholly-owned by the SM Trust. Mr Hong and Mr Gao are both settlors of the SM Trust, which are discretionary trusts established for the benefit of senior management of our Group. Under the SFO, both Mr Gao and Mr Hong are deemed to be interest in all of the Shares held by Fosing and Parview.

Note 4: Liwei is 50% owned by each of Mr Hong and Mr Gao. Under the SFO, each of Mr Hong and Mr Gao is deemed to be interested in all of the underlying Shares owned by Liwei.

SUBSTANTIAL SHAREHOLDERS

Note 5: Madam Wang Wei is the spouse of Mr Gao. Under the SFO, she is deemed to be interested in all of the Shares held by Mr Gao.

Note 6: CDH Packaging is wholly owned by CDH China Growth Capital Fund II, L.P. The general partner of CDH China Growth Capital Fund II, L.P. is CDH China Growth Capital Holdings Company Limited.

Note 7: The general partner of Bain Capital is Bain Capital Investors, LLC.

[The letter “L” denotes long position in such securities.]

Saved as disclosed above, our Directors are not aware of any person who will, immediately following completion of the [●] (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the options granted under the Pre-[●] Share Option Scheme and may be granted under the Share Option Scheme and [●]), have interests or short positions in any of our Shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION

We have extracted the selected financial information presented below from our combined financial information and the notes thereto set out in the Accountant’s Report included as Appendix I to this document. Therefore, you should read the selected financial information presented below in conjunction with the Accountant’s Report, as well as the section headed “Share Capital” in this document. The financial information included in the Accountant’s Report has been prepared in accordance with IFRS.

Selected Combined Income Statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)
Revenue	380,388	524,968	771,870	378,723	503,226
Cost of sales	(288,581)	(390,596)	(503,213)	(246,886)	(337,527)
Gross profit	91,807	134,372	268,657	131,837	165,699
Other income — net	13,799	13,916	3,727	2,700	2,819
Distribution costs	(19,550)	(22,211)	(39,778)	(17,270)	(24,401)
Administrative expenses	(27,488)	(45,423)	(43,441)	(16,488)	(20,563)
Operating profit	58,568	80,654	189,165	100,779	123,554
Finance income/(expense) — net	178	626	827	(931)	409
Profit before income tax	58,746	81,280	189,992	99,848	123,963
Taxation	(2,688)	6,479	(25,084)	(12,542)	(14,657)
Profit for the year/period	<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>
Attributable to:					
Equity holders of the Company	<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>

FINANCIAL INFORMATION

Selected Information from Combined Balance Sheets

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Non-current assets	310,736	306,431	503,522	535,256
Current assets	212,541	364,173	477,738	620,558
Total assets	523,277	670,604	981,260	1,155,814
Total equity	371,058	458,817	761,105	847,018
Non-current liabilities	798	10,798	94,957	81,660
Current liabilities	151,421	200,989	125,198	227,136
Total liabilities	152,219	211,787	220,155	308,796
Total equity and liabilities	523,277	670,604	981,260	1,155,814
Net current assets	61,120	163,184	352,540	393,422
Total assets less current liabilities	371,856	469,615	856,062	928,678

Selected Information from Combined Cash Flows Statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Net cash generated from operating activities	52,700	53,733	159,294	31,747	25,317
Net cash (used in)/generated from investing activities	(46,852)	(6,987)	(301,038)	(144,578)	520
Net cash (used in)/generated from financing activities	(14,000)	50,000	110,238	110,238	(19,984)
Net (decrease)/increase in cash and cash equivalents	(8,152)	96,746	(31,506)	(2,593)	5,853
Cash and cash equivalents at beginning of year/period	67,868	59,420	155,585	155,585	124,233
Exchange (loss)/gains on cash and cash equivalents	(296)	(581)	154	—	(407)
Cash and cash equivalents at end of the year/period	59,420	155,585	124,233	152,992	129,679

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of the Group’s financial condition as of 31 December 2007, 2008 and 2009 and 30 June 2010 in conjunction with our combined financial information and the notes thereto set out in the Accountant’s Report included as Appendix I to this document. The Accountant’s Report has been prepared in accordance with IFRS. You should read the entire Accountant’s Report and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the sections headed “Forward-Looking Statements” and “Risk Factors” in this document.

OVERVIEW

We are one of a select few integrated providers of aseptic packaging and related services globally and the leading alternative supplier in the PRC based on sales volume. We had an estimated 9.6% share of the PRC aseptic packaging market by sales volume for the year ended 31 December 2009, according to Frost & Sullivan. We enjoyed rapidly growing international sales during our Track Record Period and are the second largest roll-fed supplier of aseptic packaging globally, with an estimated market share of about 1.5% by volume in 2009, according to Frost & Sullivan. We are committed to providing customised, high-quality and competitively priced aseptic packs that are fully compatible with all generations of standard roll-fed filling machines to leading dairy and non-carbonated soft drink, or NCSD, producers. In addition to our aseptic packs, we also provide our customers a range of support services with respect to standard roll-fed filling machines, which include training and on-site technical assistance, as well as spare parts.

Our aseptic packs, which we sell using the trade name Tralin Pak in carton form under the name “Tralin Brick” as well as in soft pouch form under the name “Tralin Pilo”, maintain a sterile environment and allow for long-term transport and storage without refrigeration, making them suited for storing perishable foods and beverages. Our aseptic packs are used for filled products such as pure and flavoured milk drinks, as well as NCSDs such as juice and tea. We produce our aseptic packs using a sophisticated technology comprising seven alternating layers of LPB, polyethylene, aluminium foil and environmentally-friendly water-based inks. We currently provide our aseptic packs and services to leading dairy and NCSD producers in the PRC and in a number of international markets including France, Germany and Russia.

Our business experienced substantial revenue and net profit growth over the Track Record Period. For the years ended 31 December 2007, 2008 and 2009, our revenue totalled RMB380.4 million, RMB525.0 million and RMB771.9 million, respectively, representing a CAGR of 42.4% from 2007 to 2009. For the years ended 31 December 2007, 2008 and 2009, our net profit was RMB56.1 million, RMB87.8 million and RMB164.9 million, respectively, representing a CAGR of 71.4% from 2007 to 2009. In the six months ended 30 June 2010, our revenue amounted to RMB503.2 million, representing an increase of 32.9% over the corresponding period in 2009, and in the six months ended 30 June 2010, our net profit amounted to RMB109.3 million, representing an increase of 25.2% over the corresponding period in 2009.

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BASIS OF PRESENTATION

The combined balance sheets as of 31 December 2007, 2008 and 2009 and 30 June 2010, and the combined income statements, combined statement of comprehensive income, combined statements of changes in equity and combined cash flow statements of our Group for the Track Record Period (collectively, the “**Combined Financial Information**”) as set out in the Accountant’s Report included in Appendix I to this document include the results of operations of the companies comprising our Group following the consummation of the corporate Reorganisation, as if our Group in its current form had been in existence throughout the Track Record Period, or where a member of our Group was incorporated during the Track Record Period, since the date of establishment or incorporation of that member.

Immediately prior to and after the Reorganisation, the ultimate owners of and their respective interest in the Group remain the same. The Group conducts its operations through Shandong Tralin Packaging Co., Ltd., Beijing Tralin Packaging Machinery Co., Ltd., Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. and Tralin Pak Europe GmbH, which are all 100% owned subsidiaries of Greatview. The Company and various newly incorporated intermediate holding companies of the Group have not been involved in any other business prior to the Reorganisation. The Reorganisation is merely a reorganisation of the Group with no change in management of such business. Accordingly, the Combined Financial Information of the companies now comprising the Group is presented using the carrying values of the Group under Greatview for all periods presented. For purposes of the Accountant’s Report included in Appendix I to this document, the financial information of the Group has been prepared on a combined basis as prescribed by the [●].

In preparing the Combined Financial Information, all material intra-group transactions and balances have been eliminated on combination. The Combined Financial Information is presented in Renminbi.

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FACTORS AFFECTING RESULTS OF OPERATIONS OF OUR GROUP

Our Group’s financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below.

Competition and product price

We have positioned ourselves as the leading alternative supplier of aseptic packaging and related services based on volume in a market that is currently dominated by Tetra Pak. We also face competition from a number of other domestic and international aseptic packaging suppliers, and we expect competition to intensify as new suppliers enter the market. In such an environment, competitive pricing is an important factor affecting our results of operations. With regards to competition with Tetra Pak, our product pricing enables us to increase market share and attract new customers. Changes in pricing strategies by Tetra Pak, therefore, may have an adverse impact on our results of operations. With regard to other domestic and international suppliers, competitive pricing behavior in the market affects our ability to manage relationships with existing customers. As other domestic and international suppliers improve their offerings, merely providing superior quality and full compatibility with standard roll-fed filling machines may not be sufficient to increase market share. Although we have maintained fairly stable average sales prices throughout the Track Record Period, due to competitive forces we may be unable to maintain stable average sales prices in the future. In addition to the pricing strategies of competitors, other factors affecting how we price our aseptic packs include market demand, market share, and raw material costs. For additional information regarding competition, please refer to the section headed “Risk Factors — Risks Relating to Our Business” in this document.

Product mix and seasonality

We produce aseptic packs for customers in the dairy and NCSD markets. We believe that a flexible product mix enables us to cater to different markets and achieve stable revenues over the course of the year. We experience only limited seasonal fluctuations with our dairy sales as demand for milk products by end consumers tends to be fairly constant year-round. However, demand from our NCSD customers in the PRC increases significantly during warmer months, contributing to seasonal fluctuations in our NCSD-related sales. An important factor affecting how we determine our product mix is the seasonality of different markets. To compensate for low seasons, we utilise idle production capacity and produce for long term orders that can be filled in advance, freeing up production capacity during high season to satisfy any unplanned, higher margin orders from our dairy customers. Another strategy we employ to stabilise revenues over the year and to achieve a more balanced product mix is to both grow and diversify our customer base. A larger customer base, particularly with respect to dairy customers, allows us to utilise idle production capacity during cooler months in the PRC when demand from NCSD customers eases. Among our NCSD customers, we aim to diversify our customer base according to product type (i.e. juice, tea, etc). Such diversification helps to avoid over-exposure to any one type of NCSD. In the future, we plan to compensate for low seasons in the PRC NCSD market by serving export customers in international NCSD markets where there is complementary high seasonal demand. Such changes in product mix will impact our revenues in each segment and in turn, stabilise our overall gross profits and net income.

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Capacity expansion, capacity utilisation and sales volume

Our results of operations have been and will continue to be affected by our ability to expand our production capacity to better satisfy demand from customers that we previously were not able to fully serve. After qualifying us as a potential supplier of aseptic packs, customers prefer to see that capacity exists before submitting substantial orders. For example, in 2008 we added a printer at our Gaotang Factory that increased our total annual production capacity to approximately 4.5 billion packs. We believe that largely as a result of this additional capacity, our production volume was able to increase from approximately 2.6 billion packs in 2008 to approximately 3.9 billion packs in 2009. The additional capacity created was also critical to attracting new, large PRC dairy customers. Based on our consideration of the following factors, we believe it is important to build capacity to meet demand in the short term: (i) the strong growth of the PRC aseptic packaging market, which has grown in terms of sales volume at a CAGR of 12.8% from 2005 to 2009, and is expected to grow at a CAGR of 14.1% from 2009 to 2015, according to Frost & Sullivan; (ii) our historical track record of exceeding the market rate of growth, with production volume increasing at a CAGR of approximately 46.0% from 2007 to 2009 and (iii) the need to demonstrate to existing and prospective customers that we are capable of handling larger order volumes. We expect our total annual production capacity to increase from approximately 5.1 billion packs at the end of 2009 to approximately 9.4 billion packs by the end of 2010, once we begin commercial production at our Helingeer Factory. With modest additional investment at our Helingeer Factory and Gaotang Factory, as well as implementation of the initial phase of our European expansion, we expect our total annual production capacity could reach approximately 15.2 billion packs by the end of 2012. We plan to continue to launch new capacity at both of our existing production facilities in the PRC as well as at newly constructed factories for the foreseeable future.

Another factor that will affect our results of operations is an increase in our production facilities' capacity utilisation, which measures actual production output as compared to annual production capacity. For additional information, please refer to the section headed “Business — Production Facilities — Production capacity and utilisation” in this document. During the Track Record Period, we increased our production output and in turn, our capacity utilisation at our Gaotang Factory, by attracting new customers and accommodating larger orders from existing customers. Once commercial production begins at our new Helingeer Factory, we plan to similarly increase capacity utilisation there as well. As our production capacity continues to expand, we plan to increase our production output so as to keep pace and improve our capacity utilisation rates at each stage of our capacity expansion.

Successfully implementing our planned capacity expansion as well as maintaining and/or increasing our capacity utilisation will impact our future sales volumes, revenues, profits and market share. Please refer to “Financial Information — Capital Expenditures” for additional information on our planned capacity expansion.

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Availability and cost of raw materials

The availability and cost of raw materials directly affect our results of operations.

LPB is the largest raw material component in our aseptic packs, making up 37.8%, 40.7%, 44.2% and 43.4% of our cost of production in 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. With regard to availability, there are only around ten suppliers of high-quality LPB globally. Furthermore, the highest quality LPB must be imported, requiring a lead time of one to two months for transport. While we continue to search for additional LPB sources to augment the few suppliers that we currently rely on, our current practice is to maintain at least two months of LPB requirements in inventory as a precaution against shortages during high season or unexpected transportation delays. Any shortages or significant transportation delays not adequately covered by our inventory would significantly affect production and, in turn, our results of operations. With regard to cost, as we negotiate price with our PRC and international LPB suppliers either at the time an order is placed or annually, we are vulnerable to price fluctuations. Our LPB prices have remained stable over the past five years.

Polyethylene is the second largest raw material component in our aseptic packs, making up 20.9%, 22.5%, 15.1% and 20.0% of our cost of production in 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. Even though polyethylene's share of our overall cost of production is typically half that of LPB, sharp movements in its prices can have a sizeable impact on our overall results of operations. For example, polyethylene prices decreased beginning in the fourth quarter of 2008 and continued to decrease through the third quarter of 2009, as suppliers disposed of polyethylene at significantly reduced prices in response to a steep drop in oil prices and the global economic crisis. Consequently, our polyethylene costs as a percentage of our raw material costs decreased by 9.1 percentage points from 26.8% in 2008 to 17.7% in 2009. In the six months ended 30 June 2010, a rebound in polyethylene prices increased our polyethylene costs as a percentage of our raw material costs by 5.5 percentage points, from 17.5% when polyethylene prices were low in the six months ended 30 June 2009, to 23.0% in the six months ended 30 June 2010. We remain vulnerable to the cyclical nature of polyethylene prices, and furthermore, as polyethylene is a petroleum-based product, volatility in oil prices can also affect volatility in polyethylene prices. We have historically considered it unnecessary to enter into hedging arrangements to manage the impact of polyethylene price fluctuations due to the specialized nature of the polyethylene we use and the current lack of a suitable polyethylene market for effective hedging arrangements in the PRC. However, as the volume of our purchases increases due to our expansion in capacity, we may consider exploring alternative hedging arrangements going forward.

As raw materials are the largest portion of our cost of production, making up 83.3%, 84.3%, 85.3% and 87.0% of our cost of production in 2007, 2008, 2009 and the six months ended 30 June 2010, respectively, if we are unable to pass on raw material price increases to our customers, any significant raw material price fluctuations that we may experience, particularly with respect to LPB and polyethylene, may have a material impact on our operations and financial performance.

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Alternative packaging formats

The attractiveness of alternative packaging formats, such as plastic bottles or aluminium cans, relative to our products affects our results of operations. Certain of our larger NCSD customers use multiple packaging formats and are capable of changing between packaging formats in response to changes in raw material costs and consumer preferences. Such changes in packaging formats can positively or negatively impact our results. For example, in 2007 when the price of plastic increased as a result of increases in oil prices, some of our NCSD customers diverted their packaging format away from plastic bottles and increased purchases of paper aseptic packs instead. This has partially contributed to our increased sales volumes in 2007. As oil prices have subsided greatly since the 2007 highs, we expect some of our NCSD customers may resort to more affordable plastic packaging.

The dominance of an alternative packaging format amongst some large NCSD producers and the markets in which they serve also affects our ability to grow our sales to NCSD customers. For example, some large NCSD producers in the PRC have adopted plastic bottles as their primary or sole packaging format. While we encourage these producers to adopt paper aseptic packs in new geographic markets, in many cases they resist switching away from using plastic bottles at new production facilities in the belief that keeping to one packaging format offers economic and operational benefits, including cost benefits associated with scale. The dependence of some NCSD producers on certain alternative packaging formats directly limits our ability to win business from such customers and can also hinder our ability to penetrate the product and geographic markets that they serve.

A substantial shift to a new alternative packaging format that is currently not prevalent amongst dairy and NCSD customers would also have a significant adverse impact on our results of operations. Please refer to the section headed “Risk Factors — Risks Relating to the Industry in Which We Operate” in this document for additional information.

Economic conditions

A predominant majority of our sales are made to PRC dairy and NCSD producers. Macroeconomic conditions in the PRC, including levels of consumer spending and disposable income, affect our customers’ production volumes and, in turn, the demand for our aseptic packs. Continuously rising GDP in the PRC and domestic consumption of consumer and manufactured goods have resulted indirectly in increased demand for our aseptic packs. Despite the global economic crisis during 2008 and 2009, our product sales were not materially affected because domestic demand for dairy and NCSD products in the PRC remained strong. For the years ended 31 December 2008 and 2009, the PRC economy experienced real GDP growth of 9.6% and 9.1%, respectively, and we experienced 38.0% and 47.0% growth in our revenue, respectively. However, we cannot be certain that any downturn in the future would not have a negative impact on our results of operations. In addition, as we expand internationally, macroeconomic conditions in other regions could also affect our results of operations.

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Taxation

Our profit is affected by the PRC enterprise income tax that we pay and any preferential tax treatment that we are able to receive. As a foreign investment production enterprise in the PRC, the Group’s principal subsidiary, Shandong Tralin Packaging, is entitled to a tax exemption for two years followed by a 50% reduction in tax for the next three years, effective from 2007, the first cumulative profit-making year. As such, the preferential applicable enterprise income tax rate for Shandong Tralin Packaging is 0% for 2007 and 2008, and 12.5% for 2009 through 2011. In 2007 and 2008, such tax treatment had a significant positive effect on our profit after taxation, as we were largely exempt from income tax. This preferential enterprise income tax rate will expire after 2011. As the effective PRC enterprise tax rate applicable to Shandong Tralin Packaging is expected to increase to 25% beginning in 2012, taxes are likely to have a more significant negative impact on our profits in the future. In addition, as we expand internationally new foreign tax obligations in other regions would also affect our results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires our management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported revenue and costs during the periods presented. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

Revenue recognition

The Group recognises revenue from the sale of goods when significant risks and rewards of ownership of the goods are transferred to and accepted by the customer, and collectability of the related receivables is reasonably assumed.

We recognise sales returns as a reduction in our revenue when such returns can be reliably estimated based on our previous experience and other relevant factors. We have not had any significant returns or claims in the past and we, therefore, do not have a historical basis to make an estimate for such returns and have not historically reduced our revenue to account for such returns. Management will reassess, as appropriate, whether or not such amounts need to be accounted for in future periods.

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Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7 of section II of Accountant’s Report included in Appendix I to this document.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Refer to Note 9 of section II to the Accountant’s Report included in Appendix I to this document for further information.

Estimated useful lives of intangible assets — technology know-how

The Group’s intangible assets, technology know-how is depreciated on a straight-line basis over its estimated useful live of five years. Management exercised judgment in estimating its useful life. For more information please refer to Note 2.7 of Section II of the Accountant’s Report included in Appendix I to this document.

Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables and prepayments. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the year in which such estimate has been charged. When previous impaired debts are recovered, both doubtful debt expenses and provision for impairment balance are reversed in this year. In 2009, an amount of approximately RMB5.2 million was recovered and therefore reversed. This amount was related to amount provided in 2008 with respect to mainly three customers who were experiencing financing difficulties in 2008.

Estimated provision for slow moving inventories

Provisions for declines in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realisable value. The estimation of net realisable values requires the use of judgments and estimates.

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RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Revenue	380,388	524,968	771,870	378,723	503,226
Cost of sales	(288,581)	(390,596)	(503,213)	(246,886)	(337,527)
Gross profit	91,807	134,372	268,657	131,837	165,699
Other income — net	13,799	13,916	3,727	2,700	2,819
Distribution costs	(19,550)	(22,211)	(39,778)	(17,270)	(24,401)
Administrative expenses	(27,488)	(45,423)	(43,441)	(16,488)	(20,563)
Operating profit	58,568	80,654	189,165	100,779	123,554
Finance income/(expense) — net	178	626	827	(931)	409
Profit before income tax	58,746	81,280	189,992	99,848	123,963
Taxation	(2,688)	6,479	(25,084)	(12,542)	(14,657)
Profit for the year/period	<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>
Attributable to:					
Equity holders of the Company	<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>

PRINCIPAL COMPONENTS OF COMBINED INCOME STATEMENTS

Revenue

We primarily derive revenue from domestic and international sales of aseptic packaging and related services to dairy and NCSD producers. Revenue from our support services is immaterial, contributing less than 2% to our aggregate revenue over the Track Record Period. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 the combined revenue of our Group was RMB380.4 million, RMB525.0 million, RMB771.9 million and RMB503.2 million, respectively. Our revenue mainly reflects income we receive from the sales of our products and is presented net of value added taxes (“VAT”), returns, and discounts.

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The table below sets forth revenue from our domestic segment and international segment and as a percentage of revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000) (unaudited)	% of Total Revenue	(RMB'000)	% of Total Revenue
PRC	375,304	98.7	509,466	97.0	731,702	94.8	365,072	96.4	465,516	92.5
International	5,084	1.3	15,502	3.0	40,168	5.2	13,651	3.6	37,710	7.5
Total	380,388	100.0	524,968	100.0	771,870	100.0	378,723	100.0	503,226	100.0

The table below sets forth revenue from our dairy and NCSD customers and as a percentage of revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000) (unaudited)	% of Total Revenue	(RMB'000)	% of Total Revenue
Dairy	244,175	64.2	339,363	64.6	515,409	66.8	242,798	64.1	375,850	74.7
NCSD	136,213	35.8	185,605	35.4	256,461	33.2	135,925	35.9	127,376	25.3
Total	380,388	100.0	524,968	100.0	771,870	100.0	378,723	100.0	503,226	100.0

Cost of sales

Our cost of sales consists of raw material costs and overhead costs. Our raw material costs include our costs for LPB, polyethylene, and other materials including aluminium foil, product packaging materials, and ink. Our overhead costs consist of salaries and related welfare benefits for our workforce directly related to our production activities; utility, printing plates and maintenance expenses; salary and social security expenses and other administrative expenses for our manufacturing management; and depreciation expenses relating to our production-related property, plant and equipment.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our cost of sales were RMB288.6 million, RMB390.6 million, RMB503.2 million and RMB337.5 million, respectively. For the year ended 31 December 2007 as compared to the year ended 31 December 2008, our cost of sales as a percentage of our total revenue decreased from 75.9% to 74.4%, respectively, primarily as a result of a decrease in overhead as a percentage of revenue. We believe that such decrease primarily reflected better economies of scale. For the year ended 31 December 2008 as compared to the year ended 31 December 2009, our cost of sales as a percentage of our total revenue decreased from 74.4% to 65.2%, respectively, primarily as a result of a substantial decrease in the price of polyethylene. For the six months ended 30 June 2010 as compared to the six months ended 30 June 2009 our cost of sales as a percentage of our total revenue increased from 65.2% to 67.1%, respectively, primarily as a result of a rebound in polyethylene prices from their lows during the first six months of 2009.

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The following table sets forth the components of our cost of sales and as a percentage of revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000) (unaudited)	% of Total Revenue	(RMB'000)	% of Total Revenue
Cost of production										
<i>Raw materials</i>										
<i>LPB</i>	115,727	30.4	163,832	31.2	231,356	30.0	111,101	29.3	140,319	27.9
<i>Polyethylene</i>	64,013	16.8	90,712	17.3	78,924	10.2	37,506	9.9	64,801	12.9
<i>Others</i>	75,062	19.7	84,444	16.1	135,827	17.6	66,110	17.5	76,250	15.2
Raw materials subtotal	254,802	67.0	338,988	64.6	446,107	57.8	214,717	56.7	281,370	55.9
Overhead	51,258	13.5	63,341	12.1	76,914	10.0	35,594	9.4	42,227	8.4
Subtotal of cost of production	306,060	80.5	402,329	76.6	523,021	67.8	250,311	66.1	323,597	64.3
Change of finished goods	(17,479)		(11,733)		(19,808)		(3,425)		13,930	
Total cost of sales	<u>288,581</u>	<u>75.9</u>	<u>390,596</u>	<u>74.4</u>	<u>503,213</u>	<u>65.2</u>	<u>246,886</u>	<u>65.2</u>	<u>337,527</u>	<u>67.1</u>

¹ Others includes aluminium foil, product packaging materials, and ink.

Other income — net

Other income — net consists primarily of revenue from the sale of scrap polyethylene and printed LPB to box and container manufacturers and government subsidies, which are paid by the local government and calculated based on the amount of taxes paid above a certain base rate, net of foreign exchange gains or losses relating to our payables and receivables denominated in foreign currencies, other than any gains or losses arising from our cash and cash equivalents.

Distribution costs

Distribution costs consist primarily of freight expenses including fees charged by third party logistics providers for overland shipment and delivery of our products to all PRC customers and sea freight charges for shipment of our products to some international customers; sales personnel out of pocket expenses including business development, traveling and vehicle expenses for our sales personnel; salaries and social security expenses related to our sales personnel; and advertising and promotional expenses including marketing support to our customers.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our distribution costs were RMB19.6 million, RMB22.2 million, RMB39.8 million and RMB24.4 million, respectively. Our distribution costs as a percentage of revenue were stable during the Track Record Period, making up 5.1%, 4.2%, 5.2% and 4.8% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

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The table below sets forth the components of our distribution costs and as a percentage of revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000) (unaudited)	% of Total Revenue	(RMB'000)	% of Total Revenue
Freight expenses	10,653	2.8	13,690	2.6	21,859	2.8	10,439	2.8	13,552	2.7
Sales personnel out of pocket expenses	3,178	0.8	3,452	0.7	7,265	0.9	2,582	0.7	4,292	0.8
Salaries and social security expenses	2,113	0.6	2,550	0.5	7,111	0.9	2,575	0.7	4,651	0.9
Advertising and promotional expenses	3,568	0.9	2,519	0.5	3,237	0.4	1,660	0.4	1,858	0.4
Others	38	0.0			306	0.0	14	0.0	48	0.0
Total	19,550	5.1	22,211	4.2	39,778	5.2	17,270	4.6	24,401	4.8

Administrative expenses

Administrative expenses consist primarily of salary and social security expenses related to our administrative personnel; amortisation and depreciation expenses related to non-production fixed assets; provision for impairment of accounts receivable and inventory related to provisions for customers impacted by the PRC melamine milk crisis of 2008 or global economic crisis of 2009; travel and office expenses related to travel, transportation and office equipment for our administrative personnel; and other expenses including (i) office and lodging rental expenses including expenses for the set-up of the Beijing office and lodging for expatriate personnel; (ii) third party service charges including legal, business and accounting advisers; (iii) research and development expenses related to the opening of our R&D Centres; (iv) local tax and governmental fees; and (v) miscellaneous expenses such as cleaning.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our administrative expenses were RMB27.5 million, RMB45.4 million, RMB43.4 million and RMB20.6 million, respectively. For the year ended 31 December 2008 as compared to the year ended 31 December 2009, our administrative expenses as a percentage of total revenue decreased from 8.7% to 5.6%, respectively, primarily as a result of (i) larger account receivables provisions in 2008 as compared to 2009; and (ii) increased research and development expenses in 2008 related to the opening of our R&D Centres as compared to 2009.

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The table below sets forth the components of our administrative expenses and as a percentage of revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000)	% of Total Revenue	(RMB'000) (unaudited)	% of Total Revenue	(RMB'000)	% of Total Revenue
Salary and social security expenses	11,009	2.9	14,025	2.7	18,547	2.4	7,450	2.0	11,738	2.3
Amortisation and depreciation	6,706	1.8	6,896	1.3	7,038	0.9	3,521	0.9	487	0.1
Provision (net write-back of provision) for impairment of accounts receivables and inventory	2,107	0.6	9,046	1.7	3,741	0.5	(1,192)	(0.3)	(718)	(0.1)
Travel and office expenses	2,408	0.6	3,232	0.6	3,830	0.5	1,788	0.5	2,425	0.5
Others	5,258	1.4	12,224	2.3	10,285	1.3	4,921	1.3	6,631	1.3
Total	27,488	7.2	45,423	8.7	43,441	5.6	16,488	4.4	20,563	4.1

Finance income — net

Finance income — net primarily consists of interest income from our cash and cash equivalents and interest income from an entrusted loan made to a related party, net of interest expense from our bank borrowings and foreign exchange gains and losses on our cash and cash equivalents. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 our finance income — net was RMB0.2 million, RMB0.6 million, RMB0.8 million and RMB0.4 million, respectively.

Taxation

Our PRC subsidiaries are subject to the PRC statutory enterprise income tax (“EIT”) of 33%, 25% and 25% on their assessable income for the years ended 31 December 2007, 2008 and 2009, respectively. As a foreign investment production enterprise in the PRC, the Group’s principal subsidiary, Shandong Tralin Packaging, is entitled to tax exemption for two years effective from the first cumulative profit-making year followed by a 50% reduction in tax in the next three years. Shandong Tralin Packaging’s first cumulative tax profit-making year was 2007. Accordingly, the preferential applicable income tax rate was 0% for 2007 and 2008, and 12.5% for 2009. This preferential tax rate will expire after 2011. Our effective tax rates were 4.6%, (8.0)%, 13.2% and 11.8% for the years ended 31 December 2007, 2008, and 2009 and the six months ended 30 June 2010, respectively.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2010 compared with six months ended 30 June 2009

Revenue

Our total revenue increased by RMB124.5 million, or 32.9%, to RMB503.2 million in the six months ended 30 June 2010 from RMB378.7 million in the six months ended 30 June 2009, primarily due to increased sales volume as a result of increased production capacity and strong demand for our products attributable primarily to increased orders from existing customers. Sales volume increased by 0.5 billion packs, or 24.6%, to approximately 2.4 billion packs in the six months ended 30 June 2010 from approximately 1.9 billion packs in the six months ended 30 June 2009. The increase in total revenue was to a lesser extent due to an increase in average sales prices of 6.7% primarily to our dairy customers. The rate of revenue growth for the six months ended 30 June 2010 as compared to the same period in 2009 was less than the rate of revenue growth for the year ended 31 December 2008 as compared to the year ended 31 December 2009 because of constrained capacity at our Gaotang Factory, which had a capacity utilisation of 81.6% over the six months ended 30 June 2010.

With respect to the PRC segment, our revenue increased by RMB100.4 million, or 27.5%, to RMB465.5 million in the six months ended 30 June 2010 from RMB365.1 million in the six months ended 30 June 2009, primarily due to increased sales volume attributable primarily to increased production capacity and larger orders from existing PRC customers.

With respect to the international segment, our revenue increased by RMB24.1 million, or 176.2%, to RMB37.7 million in the six months ended 30 June 2010 from RMB13.7 million in the six months ended 30 June 2009 primarily due to increased sales volume attributable primarily to larger orders from existing international customers.

Our revenue from dairy customers increased by RMB133.1 million, or 54.8%, to RMB375.9 million in the six months ended 30 June 2010 from RMB242.8 million in the six months ended 30 June 2009, while our revenue from NCSD customers decreased by RMB8.5 million, or 6.3%, to RMB127.4 million in the six months ended 30 June 2010 from RMB135.9 million in the six months ended 30 June 2009, primarily as a result of large increases in sales volume attributable primarily to increased sales to existing PRC and international dairy customers.

Cost of sales

Our cost of sales increased by RMB90.6 million, or 36.7%, to RMB337.5 million in the six months ended 30 June 2010 from RMB246.9 million in the six months ended 30 June 2009. The growth in cost of sales was larger than the growth in total revenue as a result of a rebound in prices with respect to a key raw material.

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Raw material costs, which make up the largest portion of our cost of production, increased by RMB66.7 million, or 31.0%, to RMB281.4 million in the six months ended 30 June 2010 from RMB214.7 million in the six months ended 30 June 2009. The growth in raw material costs was related primarily to an increase in LPB costs that was in line with the increase in revenue and, to a lesser extent, to a rebound in polyethylene prices from their lows during the first six months of 2009. As a result of low polyethylene prices in first six months of 2009, our polyethylene costs as a percentage of our raw material costs increased by 5.5 percentage points, to 23.0% in the six months ended 30 June 2010 from 17.5% in the six months ended 30 June 2009.

With respect to the domestic segment, our cost of sales increased by RMB71.8 million, or 30.4%, to RMB307.8 million in the six months ended 30 June 2010 from RMB236.0 million in the six months ended 30 June 2009.

With respect to the international segment, our cost of sales increased by RMB18.8 million, or 172.6%, to RMB29.7 million in the six months ended 30 June 2010 from RMB10.9 million in the six months ended 30 June 2009. The growth in cost of sales in the international segment was significantly larger than the growth in overall cost of sales as a result of increased sales volume attributable primarily to large orders from existing international customers.

Gross profit and gross profit margin

As a result of the foregoing factors, our gross profit increased by RMB33.9 million, or 25.7%, to RMB165.7 million in the six months ended 30 June 2010 from RMB131.8 million in the six months ended 30 June 2009. Our gross profit margin decreased by 1.9 percentage points to 32.9% in the six months ended 30 June 2010 from 34.8% for the six months ended 30 June 2009 primarily due to the rebound in polyethylene prices from their lows during the first six months of 2009.

Other income — net

Our other income — net increased by RMB0.1 million, or 4.4%, to RMB2.8 million in the six months ended 30 June 2010 from RMB2.7 million in the six months ended 30 June 2009.

Distribution costs

Our distribution costs increased by RMB7.1 million, or 41.3%, to RMB24.4 million in the six months ended 30 June 2010 from RMB17.3 million in the six months ended 30 June 2009. The increase was primarily due to an increased sales personnel headcount and increased expenditures for travel by sales personnel and customers related to the ramp up at our new Helingeer Factory.

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Administrative expenses

Our administrative expenses increased by RMB4.1 million, or 24.7%, to RMB20.6 million in the six months ended 30 June 2010 from RMB16.5 million in the six months ended 30 June 2009, primarily due to increased salary and social security expenses related to the ramp up at our new Helingeer Factory. The increase in administrative expenses was partially offset by a decrease in amortisation expense as a result of the end of the amortisation period for technology know-how as of 31 December 2009.

Operating profit

Due to the factors described above, our operating profit increased by RMB22.8 million, or 22.6%, to RMB123.6 million in the six months ended 30 June 2010 from RMB100.8 million in the six months ended 30 June 2009.

Finance income — net

Our finance income increased by RMB1.3 million, or 143.9%, to RMB0.4 million in the six months ended 30 June 2010 from a net expense of RMB0.9 million in the six months ended 30 June 2009, primarily due to interest income arising from an entrusted loan to Tralin Paper, which has been settled in full as of 30 June 2010.

Profit before income tax

Due to the factors described above, our profit before income tax increased by RMB24.1 million, or 24.2%, to RMB124.0 million in the six months ended 30 June 2010 from RMB99.8 million in the six months ended 30 June 2009.

Taxation

Our tax expenses increased by RMB2.1 million to RMB14.7 million in the six months ended 30 June 2010 from RMB12.5 million in the six months ended 30 June 2009. This increase is due to the timing and schedule of exemptions under the Enterprise Income Tax Law of the PRC. Please refer to the section headed “Financial Information — Factors Affecting Results of Operations of our Group — Taxation” above for further information.

Profit and net profit margin for the period

Due to the factors described above, our profit increased by RMB22.0 million, or 25.2%, to RMB109.3 million in the six months ended 30 June 2010 from RMB87.3 million in the six months ended 30 June 2009. Our net profit margin decreased by 1.4 percentage points to 21.7% for the six months ended 30 June 2010 from 23.1% for the six months ended 30 June 2009 primarily due to the rebound in polyethylene prices from their lows during the first six months of 2009.

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Year Ended 31 December 2009 compared to Year Ended 31 December 2008

Revenue

Our total revenue increased by RMB246.9 million, or 47.0%, to RMB771.9 million in the year ended 31 December 2009 from RMB525.0 million in the year ended 31 December 2008, primarily due to increased sales volume. Sales volume increased by 1.3 billion packs, or 50.1%, to approximately 3.8 billion packs in the year ended 31 December 2009 from approximately 2.5 billion packs in the year ended 31 December 2008 as a result of increased production capacity and strong demand for our products attributable primarily to increased orders from existing PRC customers, and to a lesser extent, to new customers. Average sales prices remained stable during this period.

With respect to the domestic segment, our revenue increased by RMB222.2 million, or 43.6%, to RMB731.7 million in the year ended 31 December 2009 from RMB509.5 million in the year ended 31 December 2008, primarily due to increased sales volume attributable primarily to increased orders from existing PRC customers, and to a lesser extent, to new PRC customers.

With respect to the international segment, our revenue increased by RMB24.7 million, or 159.1%, to RMB40.2 million in the year ended 31 December 2009 from RMB15.5 million in the year ended 31 December 2008 primarily due to increased sales volume attributable primarily to new international customers.

Our revenue from dairy customers increased by RMB176.0 million, or 51.9%, to RMB515.4 million in the year ended 31 December 2009 from RMB339.4 million in the year ended 31 December 2008, while our revenue from NCSD customers increased by RMB70.9 million, or 38.2%, to RMB256.5 million in the year ended 31 December 2009 from RMB185.6 million in the year ended 31 December 2008. The growth in revenue among dairy customers was larger than the growth in revenue among NCSD customers primarily as a result of large increases in sales volume attributable primarily to existing PRC dairy customers.

Cost of sales

Our cost of sales increased by RMB112.6 million, or 28.8%, to RMB503.2 million in the year ended 31 December 2009 from RMB390.6 million in the year ended 31 December 2008. The growth in cost of sales was less than the growth in total revenue as a result of a decrease in prices with respect to a key raw material.

Raw material costs, which make up the largest portion of our cost of production, increased by RMB107.1 million, or 31.6%, to RMB446.1 million in the year ended 31 December 2009 from RMB339.0 million in the year ended 31 December 2008. The growth in raw material costs was less than the growth in total revenue as a result of a decrease in polyethylene prices, beginning in the fourth quarter of 2008 and continuing through the third quarter of 2009, as suppliers disposed of polyethylene at significantly reduced prices in response to a steep drop in oil prices and the global economic crisis. Consequently, our polyethylene costs as a percentage of our raw material costs

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decreased by 9.1 percentage points, to 17.7% in the year ended 31 December 2009 from 26.8% in the year ended 31 December 2008. The overall growth in raw material costs was primarily attributable to an increase in LPB costs that was in line with the increase in sales volume. LPB costs increased by RMB67.5 million, or 41.2%, from 2008 to 2009.

With respect to the domestic segment, our cost of sales increased by RMB98.5 million, or 26.2%, to RMB474.3 million in the year ended 31 December 2009 from RMB375.8 million in the year ended 31 December 2008. The growth in cost of sales in the domestic segment was less than the growth in revenue from the domestic segment as a result of a decrease in polyethylene prices.

With respect to the international segment, our cost of sales increased by RMB14.1 million, or 95.3%, to RMB28.9 million in the year ended 31 December 2009 from RMB14.8 million in the year ended 31 December 2008. The growth in cost of sales in the international segment was significantly larger than the growth in overall cost of sales as a result of increased sales volume attributable primarily to new international customers. The growth in cost of sales in the international segment was less than the growth in revenue from the international segment as a result of a decrease in polyethylene prices.

Gross profit and gross profit margin

As a result of the foregoing factors, our gross profit increased by RMB134.3 million, or 100.0%, to RMB268.7 million in the year ended 31 December 2009 from RMB134.4 million in the year ended 31 December 2008. Our gross profit margin increased by 9.2 percentage points to 34.8% in the year ended 31 December 2009 from 25.6% for the year ended 31 December 2008 primarily due to increased sales volumes as well as a decrease in polyethylene prices.

Other income - net

Our other income - net decreased by RMB10.2 million, or 73.2%, to RMB3.7 million in the year ended 31 December 2009 from RMB13.9 million in the year ended 31 December 2008. The decrease was primarily due to: (i) a decrease in revenue from the sale of scrap materials, namely polyethylene and printed LPB, to box and container manufacturers; (ii) a decrease in rebate subsidies, paid by the local government and calculated based on the amount of taxes paid above a certain base rate, that was caused by a delay in receiving such rebate from the local government pending its determination of the base rate; and (iii) an increase in foreign exchange loss in 2009.

Distribution costs

Our distribution costs increased by RMB17.6 million, or 79.1%, to RMB39.8 million in the year ended 31 December 2009 from RMB22.2 million in the year ended 31 December 2008, primarily due to an increase in freight expenditures which was primarily attributable to increased sales volume and, to a lesser extent, by an increase in freight prices. Distribution costs also increased due to increased sales personnel headcount, increased expenditures for travel by sales personnel and customers, and increased expenditures for business development activities relating to our expansion in the international markets.

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Administrative expenses

Our administrative expenses decreased by RMB2.0 million, or 4.4%, to RMB43.4 million in the year ended 31 December 2009 from RMB45.4 million in the year ended 31 December 2008, primarily due to (i) increased research and development expenses in 2008 related to the opening of our R&D Centres as compared to 2009; and (ii) larger provisions for impairment of account receivables in 2008 as compared to 2009. The 2008 account receivables provision primarily related to a receivable impairment for customers affected by the PRC melamine milk crisis in 2008. Although RMB3.5 million of this receivable had been received and therefore a substantial portion of it had been collected as of 31 December 2009, the net collection of account receivables provisions in 2009 was offset by new provisions relating primarily to (i) a deposit in the amount of RMB8.4 million for three used filling machines from a European company that, despite our purchase, continued to use the machines and ultimately failed to deliver the machines resulting in a provision of RMB4.2 million; and (ii) a receivable of RMB8.5 million from a customer that went into bankruptcy, for which the Group made provisions over 2008 and 2009 that total RMB5.9 million. As of the Latest Practicable Date, the Group has made increased provisions and has provided for 80% of the RMB8.4 million deposit (i.e. RMB6.7 million) for the used filling machines. Although a workout arrangement was entered into in 2009 with the bankrupt former customer, the Group has made provisions for the entire balance of RMB7.6 million due as of the Latest Practicable Date. The decrease in administrative expenses in 2009 was partially offset by (i) increases in salary related to increased administrative personnel headcount, including the addition of senior management; (ii) increases in other expenses related to relocating expatriates to Beijing; and (iii) increases in other expenses such as office supplies, computers, paper, vehicle taxes, and office rental expense.

Operating profit

Due to the factors described above, our operating profit increased by RMB108.5 million, or 134.5%, to RMB189.2 million in the year ended 31 December 2009 from RMB80.7 million in the year ended 31 December 2008.

Finance income - net

Our finance income increased by RMB0.2 million, or 32.1%, to RMB0.8 million in the year ended 31 December 2009 from RMB0.6 million in the year ended 31 December 2008, primarily due to interest income arising from an entrusted loan to Tralin Paper, which has been settled in full as of 30 June 2010. The increase in finance income was partially offset by an increase in interest expenses related to a loan that was paid in full in 2009, as well as a decrease in interest income on bank deposits.

Profit before income tax

Due to the factors described above, our profit before income tax increased by RMB108.7 million, or 133.8%, to RMB190.0 million in the year ended 31 December 2009 from RMB81.3 million in the year ended 31 December 2008.

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Taxation

Our tax expenses increased by RMB31.6 million to RMB25.1 million in the year ended 31 December 2009 from a tax credit of RMB6.5 million in the year ended 31 December 2008. This increase is due to the timing and schedule of exemptions under the Enterprise Income Tax Law of the PRC. Please refer to the section headed “Financial Information — Factors Affecting Results of Operations of our Group — Taxation” above for further information.

Profit and net profit margin for the period

Due to the factors described above, our profit increased by RMB77.1 million, or 87.9%, to RMB164.9 million in the year ended 31 December 2009 from RMB87.8 million in the year ended 31 December 2008. Our net profit margin increased by 4.7 percentage points to 21.4% for the year ended 31 December 2009 from 16.7% for the year ended 31 December 2008.

Year Ended 31 December 2008 compared to Year Ended 31 December 2007

Revenue

Our total revenue increased by RMB144.6 million, or 38.0%, to RMB525.0 million in the year ended 31 December 2008 from RMB380.4 million in the year ended 31 December 2007, primarily due to increased sales volume as a result of increased production capacity and strong demand for our products attributable primarily to increased orders from existing PRC customers. Sales volume increased by 759.9 million packs, or 42.8%, to approximately 2.5 billion packs in the year ended 31 December 2008 from approximately 1.8 billion packs in the year ended 31 December 2007. The increase in total revenue was partially offset by a decrease in average sales prices of 3.9% from 2007 to 2008. During this period we lowered average sales prices slightly in both dairy and NCSD in order to gain market share.

With respect to the domestic segment, our revenue increased by RMB134.2 million, or 35.7%, to RMB509.5 million in the year ended 31 December 2008 from RMB375.3 million in the year ended 31 December 2007, primarily due to increased sales volume attributable primarily to increased orders from existing PRC customers.

With respect to the international segment, our revenue increased by RMB10.4 million, or 204.9%, to RMB15.5 million in the year ended 31 December 2008 from RMB5.1 million in the year ended 31 December 2007 primarily due to increased sales volume attributable primarily to increased orders from existing international customers.

Our revenue from dairy customers increased by RMB95.2 million, or 39.0%, to RMB339.4 million in the year ended 31 December 2008 from RMB244.2 million in the year ended 31 December 2007, while our revenue from NCSD customers increased by RMB49.4 million, or 36.3%, to RMB185.6 million in the year ended 31 December 2008 from RMB136.2 million in the year ended 31 December 2007. These increases were in line with increases in sales volume among dairy and NCSD customers.

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Cost of sales

Our cost of sales increased by RMB102.0 million, or 35.4%, to RMB390.6 million in the year ended 31 December 2008 from RMB288.6 million in the year ended 31 December 2007. The overall increase in cost of sales was in line with the overall increase in revenue and was primarily due to increased sales volume and a corresponding increase in raw material costs.

Raw material costs increased by RMB84.2 million, or 33.0%, to RMB339.0 million in the year ended 31 December 2008 from RMB254.8 million in the year ended 31 December 2007. The increase in raw material costs was in line with the increase in sales volume.

With respect to the domestic segment, our cost of sales increased by RMB92.6 million, or 32.7%, to RMB375.8 million in the year ended 31 December 2008 from RMB283.2 million in the year ended 31 December 2007.

With respect to the international segment, our cost of sales increased by RMB9.5 million, or 176.9%, to RMB14.8 million in the year ended 31 December 2008 from RMB5.3 million in the year ended 31 December 2007. The growth in cost of sales in the international segment was significantly larger than growth in overall cost of sales as a result of increased sales volume attributable primarily to increased orders from existing international customers.

Gross profit and gross profit margin

As a result of the foregoing factors, our gross profit increased by RMB42.6 million, or 46.4%, to RMB134.4 million in the year ended 31 December 2008 from RMB91.8 million in the year ended 31 December 2007. Our gross profit margin increased by 1.5 percentage points to 25.6% in the year ended 31 December 2008 from 24.1% for the year ended 31 December 2007.

Other income - net

Our other income - net increased by RMB0.1 million, or 0.8%, to RMB13.9 million in the year ended 31 December 2008 from RMB13.8 million in the year ended 31 December 2007. The increase was primarily due to an increase in foreign exchange gains in 2008 related to appreciation of Renminbi against the US dollar and Euro. The increase was partially offset by (i) a decrease in revenue from the sale of scrap materials, namely polyethylene and printed LPB, to box and container manufacturers; and (ii) a decrease in rebate subsidies, paid by the local government and calculated based on the amount of taxes paid above a certain base rate, that was caused by an increase in the base rate for calculation of the 2008 rebate.

Distribution costs

Our distribution costs increased by RMB2.7 million, or 13.6%, to RMB22.2 million in the year ended 31 December 2008 from RMB19.6 million in the year ended 31 December 2007, primarily due to an increase in freight expenditures which was attributable to increased sales volume and, to a lesser extent, by an increase in freight prices.

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Administrative expenses

Our administrative expenses increased by RMB17.9 million, or 65.2%, to RMB45.4 million in the year ended 31 December 2008 from RMB27.5 million in the year ended 31 December 2007, primarily due to (i) a provision of approximately RMB5.3 million relating primarily to a receivable impairment for three customers affected by the PRC melamine milk crisis in 2008; (ii) increased salary expense relating to salary raises for administrative personnel, and (iii) increased research and development expenses related to the opening of our R&D Centres.

Operating profit

Due to the factors described above, our operating profit increased by RMB22.1 million, or 37.7%, to RMB80.7 million in the year ended 31 December 2008 from RMB58.6 million in the year ended 31 December 2007.

Finance income - net

Our finance income - net increased by RMB0.4 million, or 251.7%, to RMB0.6 million in the year ended 31 December 2008 from RMB0.2 million in the year ended 31 December 2007, primarily due to an increase in interest income on bank deposits.

Profit before income tax

Due to the factors described above, our profit before income tax increased by RMB22.5 million, or 38.4%, to RMB81.3 million in the year ended 31 December 2008 from RMB58.7 million in the year ended 31 December 2007.

Taxation

In both 2007 and 2008 we were exempt from paying income tax under the Enterprise Income Tax Law of the PRC. Please refer to the section headed “Financial Information — Factors Affecting Results of Operations of our Group — Taxation” above for further information. In the year ended 31 December 2008, we had deferred tax income recognised in the amount of RMB6.5 million as a result of the recognition of deferred tax assets arising from accrued expenses, government grants and impairments and provisions. In the year ended 31 December 2007, we recorded a tax charge of RMB2.7 million due to the change in enterprise income tax rate from 33% in 2007 to 25% in 2008.

Profit and net profit margin for the year

Due to the factors described above, our profit increased by RMB31.7 million, or 56.6%, to RMB87.8 million in the year ended 31 December 2008 from RMB56.1 million in the year ended 31 December 2007. Our net profit margin increased by 2.0 percentage points to 16.7% in the year ended 31 December 2008 from 14.7% in the year ended 31 December 2007.

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LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital, capital expenditures and other capital requirements primarily through cash generated from operations and bank credit facilities, as well as equity contributed or loaned by shareholders. Going forward, we expect that cash generated from operations and bank credit facilities, together with the [●] of the [●], will be our primary sources of liquidity as well as funding for capital expenditures.

The following table provides a summary of our cash flows for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Net cash generated from operating activities	52,700	53,733	159,294	31,747	25,317
Net cash (used in)/generated from investing activities	(46,852)	(6,987)	(301,038)	(144,578)	520
Net cash (used in)/generated from financing activities	(14,000)	50,000	110,238	110,238	(19,984)
Net (decrease)/increase in cash and cash equivalents	(8,152)	96,746	(31,506)	(2,593)	5,853
Cash and cash equivalents at beginning of year/period	67,868	59,420	155,585	155,585	124,233
Exchange (loss)/gains on cash and cash equivalents	(296)	(581)	154	—	(407)
Cash and cash equivalents at end of the year/period	59,420	155,585	124,233	152,992	129,679

Operating activities

We derive our cash flow from operating activities principally from the receipt of payments from the sale of our products and services. Our cash outflow from operating activities is principally for purchases of raw materials and payment of production costs.

In the six months ended 30 June 2010, our net cash generated from operating activities was RMB25.3 million, consisting of cash generated from operations of RMB36.7 million, offset by interest paid of RMB1.3 million and income tax paid of RMB10.1 million. Our cash generated from operations consisted of cash flow from operating activities before changes in working capital of RMB138.4 million and net negative changes in working capital of RMB101.7 million. Net negative changes in working capital reflected primarily an increase in trade receivables, other receivables and prepayments of RMB203.2 million due to an increase in receivables from our major customers. These negative changes were partially offset by (i) a decrease in inventories of RMB19.3 million as a result of a decrease in finished goods; and (ii) an increase in trade payables, other payables and accruals of RMB82.2 million as a result of increased payables related to the opening of our Helingeer Factory.

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In the year ended 31 December 2009, our net cash generated from operating activities was RMB159.3 million, consisting of cash generated from operations of RMB182.6 million, offset by interest paid of RMB1.8 million and income tax paid of RMB21.5 million. Our cash generated from operations consisted of cash flow from operating activities before changes in working capital of RMB227.7 million and net negative changes in working capital of RMB45.1 million. Net negative changes in working capital reflected primarily: (i) an increase in inventories of RMB50.9 million as a result of maintaining larger quantities of LPB in anticipation of increased production activities and increased sales, as well as from increased inventory of spare parts and filling machines at our Beijing R&D Centre as part of our support services; and (ii) an increase in trade receivables, other receivables and prepayments of RMB22.6 million due to an increase in prepayments for raw materials. These negative changes were partially offset by an increase in trade payables, other payables and accruals of RMB28.4 million as a result of our general business expansion and increased production activities.

In the year ended 31 December 2008, our net cash generated from operating activities was RMB53.7 million, consisting of cash generated from operations of RMB54.6 million, offset by interest paid of RMB0.8 million. Our cash generated from operations consisted of cash flow from operating activities before changes in working capital of RMB113.9 million and net negative changes in working capital of RMB59.3 million. Net negative changes in working capital reflected primarily: (i) an increase in inventories of RMB37.4 million in anticipation of increased production activities and increased sales; and (ii) an increase in trade receivables of RMB15.0 million in line with our sales volume.

In the year ended 31 December 2007, our net cash generated from operating activities was RMB52.7 million, consisting of cash generated from operations of RMB52.9 million, offset by interest paid of RMB0.2 million. Our cash generated from operations consisted of cash flow from operating activities before changes in working capital of RMB82.9 million and negative changes in working capital of RMB30.0 million. Negative changes in working capital reflected primarily: (i) an increase in inventories of RMB15.5 million as a result of increased sales; (ii) an increase in trade receivables of RMB9.3 million in line with our sales volume; and (iii) a decrease in trade payables, other payables and accruals of RMB35.3 million primarily as a result of our purchasing imported raw materials directly from international suppliers, which required advance payment, instead of through domestic trading companies and Tralin Paper, as we had done prior to 2007. Prior to 2007, we did not hold import and export licenses to purchase those imported raw materials directly. These negative changes were partially offset by an increase in advance due to Hexis of RMB30.0 million as a result of a loan from Hexis used as working capital.

Investing activities

Our outflow for investing activities is principally for purchases of property, plant and equipment, including payment for construction in progress and equipment for our Helinger Factory and additional equipment for capacity expansion for our Gaotang Factory, and lease payments.

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In the six months ended 30 June 2010, our net cash generated from investing activities was RMB0.5 million. Our cash outflow from investing activities primarily consisted of cash used in the purchase of property, plant and equipment of RMB52.1 million primarily relating to equipment and construction costs for our Helingeer Factory. Our cash inflow from investing activities primarily consisted of: (i) proceeds from the disposal of property, plant and equipment of RMB0.8 million relating to the sale of an idle testing machine; (ii) interest received in the amount of RMB2.1 million relating to our bank cash balances; and (iii) cash received from the repayment of RMB50.0 million entrusted loan by Tralin Paper.

In the year ended 31 December 2009, our net cash used in investing activities was RMB301.0 million. Our cash outflow from investing activities primarily consisted of: (i) cash used in the purchase of property, plant and equipment of RMB253.2 million primarily relating to equipment and construction costs for our Helingeer Factory; (ii) cash used for RMB1.4 million in prepayment for land use rights relating to the Helingeer Factory; and (iii) cash used for an entrusted loan of RMB50.0 million granted to Tralin Paper. This loan has been settled in full as of 30 June 2010. Our cash inflow from investing activities primarily consisted of: (i) proceeds from the disposal of property, plant and equipment of RMB1.2 million relating to the sale of an idle testing machine; and (ii) interest received in the amount of RMB2.4 million relating to our bank cash balances.

In the year ended 31 December 2008, our net cash used in investing activities was RMB7.0 million. Our cash outflow from investing activities primarily consisted of cash used in the purchase of property, plant and equipment of RMB18.9 million primarily relating to equipment and construction costs for our Helingeer Factory. Our cash inflow from investing activities primarily consisted of: (i) a government grant from the local government in the amount of RMB10.0 million for capital expenditures for our Gaotang Factory; and (ii) interest received in the amount of RMB2.1 million relating to our bank cash balances.

In the year ended 31 December 2007, our net cash used in investing activities was RMB46.9 million. Our cash outflow from investing activities primarily consisted of cash used in the purchase of property, plant and equipment of RMB49.9 million primarily relating to equipment costs for the expansion of our Gaotang Factory. Our cash inflow from investing activities primarily consisted of: (i) proceeds from the disposal of property, plant and equipment of RMB2.3 million relating to the sale of idle machines and vehicles; and (ii) interest received in the amount of RMB0.7 million relating to our bank cash balances.

Financing activities

Our cash inflows from financing activities relate principally to an increase in amounts due to related parties and bank borrowings and an advance from our holding company. Our cash outflow from financing activities relates primarily to our repayment of principal and interest on our bank loans.

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In the six months ended 30 June 2010, we had cash used in financing activities of RMB20.0 million. Our cash outflows from financing activities consisted of (i) repayment of borrowings in the amount of RMB6.6 million related to the RMB105.0 million bank facility being used for our Helingeer Factory; and (ii) dividends paid to equity holders in the amount of RMB23.4 million. Our cash outflows from financing activities were partially offset by cash inflows from financing activities of RMB10.0 million in proceeds from a short term borrowing being used for our Helingeer Factory and guaranteed by Shandong Tralin Packaging, the Group’s principal subsidiary.

In the year ended 31 December 2009, we had net cash inflows from financing activities of RMB110.2 million. Our net cash inflows from financing activities consisted of (i) proceeds from a bank facility established in 2009 in the amount of RMB105.0 million; and (ii) advance from Hexis as paid-in capital in the amount of RMB55.2 million for our Helingeer Factory. The borrowing in the amount of RMB105.0 million, which is secured against the assets and land use rights relating to our Gaotang Factory and comes due in 2014, is being used for property, plant and equipment costs related to the construction and outfitting of our Helingeer Factory. Our cash inflows from financing activities were partially offset by cash outflows of RMB50.0 million relating to the repayment in full of a banking facility established in 2008.

In the year ended 31 December 2008, we had cash inflows from financing activities of RMB50.0 million. Our cash inflows from financing activities consisted of RMB50.0 million in proceeds from a bank facility established in 2008. This borrowing, which was secured against the assets and trade receivables of our Gaotang Factory, was fully repaid in 2009.

In the year ended 31 December 2007, we had cash used in financing activities of RMB14.0 million. Our cash outflow from financing activities of RMB14.0 million related to the repayment in full of a banking facility established in 2006.

NET CURRENT ASSETS

Our current assets primarily consist of inventories, trade receivables, other receivables and prepayments and cash and bank balances. Other receivables primarily consist of notes receivables from a customer that typically pays in bank notes, employee advances, and a deposit for the planned acquisition of a company that was subsequently refunded. Prepayments are primarily related to procurement of machinery and raw materials. Our current liabilities primarily consist of trade and other payables and accruals, amount due to former holding company, income tax liabilities and borrowings. Other payables primarily include notes payables and, salary and welfare payable. We had net current assets of RMB61.1 million, RMB163.2 million, RMB352.5 million, RMB393.4 million and RMB444.0 million as of 31 December 2007, 2008, 2009, 30 June 2010 and 30 September 2010, the date being the latest practicable date for the purpose of our indebtedness statement, respectively.

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The following table sets forth our current assets, current liabilities and net current assets as of 31 December 2007, 2008, 2009, 30 June 2010 and 30 September 2010.

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	(RMB'000)			(RMB'000)	(RMB'000) (unaudited)
CURRENT ASSETS					
Inventories	72,260	106,709	157,417	138,912	177,692
Trade and other receivables and prepayments	75,861	84,799	176,062	332,447	374,733
Cash and bank balances	64,420	172,665	144,259	149,199	110,339
	212,541	364,173	477,738	620,558	662,764
CURRENT LIABILITIES					
Trade and other payables and accruals	60,792	68,928	100,186	181,893	167,900
Amount due to former holding company	90,629	82,061	—	—	—
Income tax liabilities	—	—	5,302	8,973	4,635
Borrowings	—	50,000	19,710	36,270	46,260
	151,421	200,989	125,198	227,136	218,795
NET CURRENT ASSETS	61,120	163,184	352,540	393,422	443,969

The changes of balance of net current assets as of the respective dates were consistent with the expansion of our business during the Track Record Period.

INDEBTEDNESS

As of 30 September 2010, the date being the latest practicable date for the purpose of this indebtedness statement, we had total borrowings of RMB111.9 million, which comprised RMB65.6 million of non-current, secured bank borrowings, RMB26.3 million of current, secured bank borrowings and RMB20.0 million of current, unsecured bank borrowings. The following table sets forth our total borrowings as of the dates indicated.⁽¹⁾

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	(RMB'000)			(RMB'000)	(RMB'000) (unaudited)
Non-current					
Secured bank borrowing	—	—	85,290	72,160	65,600
Current					
Secured bank borrowing	—	50,000	19,710	26,270	26,260
Unsecured bank borrowing	—	—	—	10,000	20,000
Total borrowing	—	50,000	105,000	108,430	111,860

Note:

(1) The table does not include RMB210.0 million of unutilised bank facilities as of 30 September 2010, as described below.

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As of 30 September 2010, we had RMB210.0 million of unutilised bank facilities that were granted to us primarily for working capital, capital expenditure and settlement of our purchases by the issue of letters of credit. These facilities are with three licensed banks in the PRC in the amounts of RMB100.0 million, RMB100.0 million, and RMB30.0 million, respectively. As of 30 September 2010, the current, unsecured bank borrowing in the amount of RMB20.0 million relates to RMB20.0 million of the RMB30.0 million facility that had been utilised as of 30 September 2010. The expiry date of all three facilities is 31 December 2010, and we plan to renew the facilities before expiration.

As of 10 November 2010, we have established and subsequently fully drawn down a short-term bank facility with DBS Bank Ltd., Hong Kong Branch in the amount of EUR4.5 million intended to support the working capital needs and construction and equipment costs for our planned factory in Germany.

In addition, on [19 November] 2010, Greatview entered into an agreement with DBS Bank Ltd., Hong Kong Branch for a term loan facility of US\$50 million, secured by an account charge and guarantee given by each of Hexis and Greatview. The purpose of this loan is to repay the interest-free shareholder’s loan of US\$50 million due from our Group to Hexis. Prior to [●], our Company will also enter into a guarantee for the above loan in favour of DBS Bank Ltd., Hong Kong Branch, to replace the guarantee and account charge given by Hexis, and subject to [●]. The term of the loan is for three months, but early prepayment is required when [●] takes place. The interest rate for the loan is at 100 basis points above the London Interbank Offer Rate for one to three months period as selected by our Company.

Except as disclosed above, our Directors confirm that there has been no material change in the Company’s indebtedness and contingent liabilities since 30 September 2010.

Except as disclosed above, as of 30 September 2010 we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees.

COMMITMENTS

The following table sets forth information regarding our capital commitments as of 31 December 2007, 2008 and 2009 and 30 June 2010.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000)
Contracted but not provided for:				
Property, plant and equipment	<u>12,332</u>	<u>34,395</u>	<u>9,538</u>	<u>6,314</u>

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We lease offices and warehouses under non-cancellable operating lease agreements. The lease terms are between three and ten years. The following table sets forth information regarding our future aggregate minimum lease payments under these non-cancellable operating leases as of 31 December 2007, 2008 and 2009 and 30 June 2010.

	As of 31 December			As of
	2007	2008	2009	30 June 2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
No later than 1 year	1,239	1,957	1,915	2,091
Later than 1 year and no later than 5 years	2,000	8,119	7,690	6,979
Later than 5 years	2,500	2,955	1,375	1,125
Total	<u>5,739</u>	<u>13,031</u>	<u>10,980</u>	<u>10,195</u>

CAPITAL EXPENDITURES

Capital expenditures during the Track Record Period

During the Track Record Period our capital expenditures consisted primarily of expenditures on equipment and construction in progress.

The following table sets forth our historical capital expenditures for the periods indicated:

	Year ended 31 December			Six months period ended
	2007	2008	2009	30 June 2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Property, plant and equipment	124	6,122	2,062	1,623
Construction in progress	49,910	6,813	236,736	46,830
Total	<u>50,034</u>	<u>12,935</u>	<u>238,798</u>	<u>48,453</u>

Planned capital expenditures

The above described expected capital expenditures constitute forward-looking statements. Please refer to the section headed “Forward-Looking Statements” in this document for more details.

Our expansion plans are further described in the sections headed “Summary” and “Business” in this document.

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INVENTORY MANAGEMENT

Our inventories consist of raw materials, work in progress and finished goods. We generally keep an inventory level of one month supply for most raw materials. However, for LPB purchased from foreign suppliers, we began in 2007 maintaining approximately two months of production requirements in inventory. We believe this allows us a sufficient buffer, or “safety stock,” to offset potential risks of relying on a limited number of LPB suppliers, including among other things, delays in shipment due to the long distances between our suppliers and our factories and insufficient availability of LPB during high seasons. The growth in our inventory of raw materials for 2008, which increased by RMB25.7 million, or 61.5%, to RMB67.4 million as of 31 December 2008 from RMB41.8 million as of 31 December 2007, significantly outpaced the growth in our production volume for 2008, primarily as a result of our need to build an increased safety stock of LPB toward the end of 2008 in anticipation of a significant increase in sales in the first quarter of 2009. Our inventory of raw materials increased by RMB31.1 million, or 46.1%, to RMB98.5 million as of 31 December 2009 from RMB67.4 million as of 31 December 2008, primarily as a result of our business expansion and increased production volume. Our inventory of raw materials decreased by RMB5.3 million, or 5.4%, to RMB93.2 million as of 30 June 2010 from RMB98.5 million as of 31 December 2009 primarily as a result of further improvements in stock and inventory management.

Our inventory of work in progress is comprised of new and refurbished roll-fed filling machines produced at our Beijing R&D Centre as part of our support services. The level of work in progress in inventory varies with customer demand. Our inventory of work in progress decreased by RMB1.9 million, or 19.6%, to RMB7.6 million as of 31 December 2008 from RMB9.4 million as of 31 December 2007, and increased by RMB8.2 million, or 108.0%, to RMB15.8 million as of 31 December 2009 from RMB7.6 million as of 31 December 2008. Our inventory of work in progress decreased by RMB1.4 million, or 9.0%, to RMB14.4 million as of 30 June 2010 from RMB15.8 million as of 31 December 2009.

Our inventory of finished goods is comprised of aseptic packs awaiting delivery to customers, as well as spare parts and filling machines located at our Beijing R&D Centre. We normally keep aseptic packs in inventory until an order is completed. However, long term orders can be filled far in advance, and we fill such orders during low season in order to free up capacity during high season to satisfy unplanned, higher margin orders from our dairy customers. Our inventory of finished goods increased by RMB13.6 million, or 61.6%, to RMB35.6 million as of 31 December 2008 from RMB22.1 million as of 31 December 2007, and by RMB11.6 million, or 32.6%, to RMB47.3 million as of ended 31 December 2009 from RMB35.6 million as of 31 December 2008. The increases in inventory of finished goods were attributable primarily to increased sales volume as more finished goods awaited delivery to customers, as well as to increased inventory of spare parts used in our support services. Our inventory of finished goods decreased by RMB12.5 million, or 26.5%, to RMB34.7 million as of 30 June 2010 from RMB47.3 million as of 31 December 2009. The decrease in inventory of finished goods was attributable to further improvements in stock and inventory management.

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The following table sets forth our inventory of raw materials, work in progress, and finished goods as of the end of the periods indicated and average inventory turnover days for the periods indicated:

	As of 31 December			As of
	2007	2008	2009	30 June 2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials	41,760	67,424	98,505	93,167
Work in progress	9,439	7,587	15,780	14,358
Finished goods	22,055	35,640	47,255	34,747
Provisions for obsolescence	(994)	(3,942)	(4,123)	(3,360)
Total	<u>72,260</u>	<u>106,709</u>	<u>157,417</u>	<u>138,912</u>
Average inventory turnover days ¹	<u>82.2</u>	<u>83.6</u>	<u>95.8</u>	<u>80.1</u>

Notes:

- 1 Average inventory turnover days is equal to the average inventory divided by cost of sales and multiplied by 365 days. Average inventory is equal to inventory at the beginning of the year/period plus inventory at the end of the year/period and divided by two.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, our average inventory turnover days were 82.2 days, 83.6 days, 95.8 days and 80.1 days, respectively. Our average inventory turnover days increased from 2008 to 2009 primarily due to an increased need for safety stock of imported LPB on account of the risk of having a limited number of suppliers and the long lead time required for transport. Our average inventory turnover days decreased from 1 January 2010 to 30 June 2010 due to further improvements in stock and inventory management.

The following table sets forth as of 30 September 2010 the used/sold portion of our inventory of raw materials, work in progress and finished goods as of 30 June 2010:

	As of 30 September 2010
	(RMB'000) (unaudited)
Raw materials	68,092
Work in progress	2,244
Finished goods	32,064
Less: Provisions for obsolescence	(204)
Total	<u>102,196</u>

FINANCIAL INFORMATION

TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The following table sets forth the value of our trade receivables and a provision taken thereto, notes receivables, value added tax deductible, prepayments and a provision taken thereto, short-term investments and other receivables as of the end of the periods indicated and average trade receivables turnover days for the periods indicated:

	As of 31 December			As of
	2007	2008	2009	30 June
	(RMB'000)	(RMB'000)	(RMB'000)	2010
				(RMB'000)
Trade receivables	50,842	71,055	69,653	191,023
Less: Provision for impairment	(6,018)	(11,887)	(10,705)	(10,751)
Trade receivables - net	44,824	59,168	58,948	180,272
Notes receivables	1,130	1,000	15,489	66,909
Value added tax deductible	—	523	26,178	29,000
Prepayments	18,245	17,610	28,411	31,435
Less: Provision for impairment	—	—	(4,484)	(4,484)
Prepayments - net	18,245	17,610	23,927	26,951
Entrusted loan receivable	—	—	50,000	—
Other receivables	11,662	6,498	1,520	29,315
Total	75,861	84,799	176,062	332,447
Average trade receivables turnover days ¹	44.1	42.4	33.3	47.3

Notes:

- 1 Average trade receivables turnover days is equal to the average trade receivables divided by turnover and multiplied by 365 days. Average trade receivables is equal to trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period and divided by two.

We extend credit very selectively to customers whom we consider to have established good track records of timely payments. For such customers we typically extend a credit period ranging from 15 to 90 days. For new, smaller customers, we require some amount of advance cash payment. The advance payment amount is determined on a case-by-case basis and varies depending on the size of the order.

Our trade receivables increased from RMB50.8 million for 2007 to RMB71.1 million for 2008, primarily due to an increase in sales to customers to whom we extend credit terms, including an increase in sales to international customers, who typically require credit terms. In 2009, trade receivables decreased to RMB69.7 million, primarily due to a decrease in a certain customer's trade receivables balance at 31 December 2009 compared to 31 December 2008. At 30 June 2010, trade receivables increased to RMB191.0 million, primarily due to increased credit periods extended to major customers, which we believe were warranted due to their good track record of creditworthiness and which reflect standard market practice credit periods of up to 90 days. Trade receivables also increased due to increased sales as a result of our business expansion.

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Impairment of trade receivables is decided on a case-by-case basis. A provision for impairment is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. For the year ended 31 December 2008, the provision primarily related to a receivable impairment for three customers affected by the PRC melamine milk crisis in 2008. This impairment continued into 2009, and 75% has been collected as of 31 December 2009. For the year ended 31 December 2009, the provision relates primarily to a receivable impairment for a customer that went into bankruptcy. Although a workout arrangement has been made, the Group has made provisions for the entire balance of RMB7.6 million due as of the Latest Practicable Date.

Our notes receivables increased sharply in the year ended 31 December 2009 and the six months ended 30 June 2010 due to increased sales to a significant customer that typically pays in bank notes. Most of our customers pay in cash, partially due to our implementation of incentive plans for our sales personnel to collect cash payment instead of notes.

Our prepayments increased in 2009 primarily due to increased importation of raw materials in line with our business expansion and practise of maintaining a safety stock of raw materials, particularly of imported LPB, which requires prepayment. In addition, the high level of prepayment is due, to a lesser extent, to an increase in the frequency of shipment delays from LPB suppliers on account of their own inventory constraints after they receive payment from us, which results in any such payment being recorded as a prepayment at month’s end. While the increased frequency of such delays has not been significant, with about one or two occurrences in the course of a year, we have increased efforts to identify and qualify new LPB suppliers as a means of limiting the impact of supply disruptions in the future. Except for our recording such events as a prepayment, these delays have not affected us operationally or financially during the Track Record Period. To date we have avoided potential disruptions to our supply by accumulating sufficient inventories of raw materials in advance of increased production volume during high season and maintaining year round sufficient inventory levels to cope with unanticipated transportation delays from our suppliers.

Impairment of prepayments for the year ended 31 December 2009 relate to the unsuccessful purchase of a filling machine.

Our entrusted loan receivable at 31 December 2009 of RMB50.0 million relates to an entrusted loan to Tralin Paper. This loan has been settled in full as of 30 June 2010. Our PRC legal adviser has confirmed the legality of this entrusted loan.

Our other receivables at 31 December 2007 of RMB11.7 million relate primarily to a deposit for the planned acquisition of a company, and, to a lesser extent employee advances. The acquisition deposit was refunded in 2009. Our other receivables at 30 June 2010 of RMB29.3 million relate primarily to legal and other professional services.

FINANCIAL INFORMATION

As of 31 December 2007, 2008 and 2009 and 30 June 2010, our average turnover days for trade receivables was 44.1 days, 42.4 days, 33.3 days and 47.3 days, respectively. Our average turnover days for trade receivables decreased from 2008 to 2009 primarily due to tightened credit management in response to the PRC melamine milk crisis in 2008. This is partially offset by an increasing number of customers that are requiring longer credit terms, particularly our international customers.

The following table sets forth an ageing analysis with respect to our trade receivables at the end of the periods indicated:

	As of 31 December			As of
	2007	2008	2009	30 June
	(RMB'000)	(RMB'000)	(RMB'000)	2010
				(RMB'000)
0 - 30 days	27,977	31,453	35,031	132,640
31 - 90 days	11,496	20,829	13,414	42,496
91 - 365 days	11,116	17,057	11,316	6,694
Over 1 year	253	1,716	9,892	9,193
Total	50,842	71,055	69,653	191,023

The increase in trade receivables aged over one year as of 31 December 2009 relates primarily to a receivable of RMB8.5 million from a customer that went into bankruptcy. Although a workout arrangement was entered into in 2009, the Group has made provisions for the entire balance of RMB7.6 million due as of the Latest Practicable Date.

As of 30 September 2010, the settlement status of our trade receivables outstanding as at 30 June 2010 aged from 0 to 30 days, 31 to 90 days, 91 to 365 days, and over one year was RMB125.7 million, RMB41.0 million, RMB3.4 million and RMB0.1 million, respectively.

FINANCIAL INFORMATION

TRADE AND OTHER PAYABLES AND ACCRUALS

The following table sets forth our trade payables, advances from customers, accrued expenses, value added tax payable, salary and welfare payments and other payables as of the end of the periods indicated and average trade payable turnover days for the periods indicated.

	As of 31 December			As of
	2007	2008	2009	30 June
	(RMB'000)	(RMB'000)	(RMB'000)	2010
				(RMB'000)
Trade payables	31,634	20,051	34,731	93,233
Notes payables	2,000	12,139	—	—
Advances from customers	8,082	13,600	26,849	10,634
Accrued expenses	9,804	17,094	23,427	44,087
Value added tax payable	2,468	—	505	8,089
Salary and welfare payable	5,087	5,452	10,755	9,540
Other payables	1,717	592	3,919	16,310
Total	60,792	68,928	100,186	181,893
Average trade payables turnover days ¹	37.4	24.1	19.9	34.6

Notes:

- 1 Average trade payables turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days. Average trade payables is equal to trade payables at the beginning of the year/period plus trade payables at the end of the year/period and divided by two.

Trade and other payables and accruals are principally comprised of amounts outstanding for the purchase of raw materials. Our suppliers typically extend to us credit periods ranging from 0 to 60 days for the purchase of raw materials and equipment. However, for imported LPB and polyethylene, we have since 2008 been required to pay in advance. We have established financial risk management policies and systems to ensure that all payables are settled within the credit periods. In the year ended 31 December 2008, trade payables decreased primarily due to increased use of notes payables as a means of settlement with suppliers. In the six months ended 30 June 2010, trade payables increased primarily due to increased purchases of raw materials for our Helingeer Factory in anticipation of trial production.

Notes payables increased in the year ended 31 December 2008 primarily due to the arrangement of balances payable in bank notes.

Advances from customers relate to cash advance payments that we require of new, smaller customers. The increase in advances from customers in the year ended 31 December 2009 was attributable primarily to the increase in sales to customers on such payment terms. In the six months ended 30 June 2010, the decrease in advances from customers was primarily due to an increased portion of our sales from existing customers, from whom we typically do not require such cash advance payments.

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Accrued expenses relate to sales rebates accrued to be made to customers when they have purchased a certain quantity of aseptic packs. These sales rebates are usually paid in the following year. The increases in accrued expenses were attributable primarily to increases in sales rebates owed to such customers as a result of increases in sales volume.

Salary and welfare payments increased in the year ended 31 December 2009, primarily due to a discretionary salary bonus, twice the amount of the usual salary bonus, which was awarded to all employees in 2009 after sales results showed a significant increase.

Other payables in the six months ended 30 June 2010 related primarily to property, plant and equipment costs incurred in connection with the construction and outfitting of our Helingeer Factory.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, our average trade payables turnover days were 37.4 days, 24.1 days, 19.9 days and 34.6 days, respectively. Our average trade payables turnover days decreased from 2007 to 2008 primarily as a result of our purchasing imported raw materials directly from international suppliers, which required advance payment, instead of through domestic trading companies and Tralin Paper, as we had done prior to 2007. Prior to 2007, we did not hold import and export licenses to purchase imported raw materials directly. Our average trade payables turnover days decreased from 2008 to 2009 primarily as a result of increased purchases of imported raw materials as a percentage of total cost of sales, which required advance payment and therefore involved no credit period. Our average trade payables turnover days increased in the six months ended 30 June 2010 primarily due to increased purchases of raw materials for our Helingeer Factory in anticipation of trial production.

The following table sets forth an ageing analysis of our trade payables at the end of the periods indicated.

	As of 31 December			As of
	2007	2008	2009	30 June 2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 30 days	19,065	18,590	32,058	87,995
30 - 90 days	11,275	1,003	1,437	4,650
91 - 365 days	1,016	161	1,065	441
Over 365 days	278	297	171	147
Total	31,634	20,051	34,731	93,233

As of 30 September 2010, the settlement status of our trade payables outstanding as of 30 June 2010 was RMB90.4 million.

FINANCIAL INFORMATION

WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds, the present available banking facilities, and the estimated net [●], our Directors believe that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this document.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENT LIABILITIES

As of 30 June 2010, we did not have any off-balance sheet arrangements or contingent liabilities.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Our major financial instruments include trade and other receivables, amounts due from or to related parties, pledged bank deposits, bank balances and cash, trade and other payables, amounts due from or to a shareholder, amount due to an immediate holding company and bank borrowings. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. We do not enter into any hedging transactions and therefore do not use hedge accounting.

The risks associated with our financial instruments are set out below.

Foreign exchange rate risk

Our exposure to foreign exchange rate risk mainly relates to bank balances denominated in US dollars and Euros. At the end of each year during the Track Record Period, changes in the US dollar or Euro against Renminbi would not have a material impact on the Group’s profit after tax.

Interest rate risk

Our exposure to interest rate risk arises mainly from cash and bank balances and borrowings. Cash and bank balances and borrowings at fixed rates expose the Group to fair value interest-rate risk, which is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Cash and bank balances and borrowings at variable rates expose the Group to cash flow interest-rate risk, which is the risk that future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, approximately RMB3.2 million, RMB10.3 million, nil and RMB8.2 million of our cash and bank balances were at fixed rates, while approximately RMB61.3 million, RMB162.3 million, RMB144.3 million and RMB141.0 million of our cash and bank balances were at variable rates.

As of 31 December 2008, approximately RMB20.0 million of our borrowing was at fixed rates, while RMB30.0 million of our borrowing was at variable rates. As of 31 December 2009 and 30 June 2010, our borrowing of RMB105.0 million and RMB108.4 million, respectively was at variable rates.

FINANCIAL INFORMATION

Our management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level. At the end of each year during the Track Record Period, changes in the interest rates on cash and bank balances and borrowings with all other variables including tax rate being held constant, would not have material impact on the profit after tax of the Group. The Group has no other financial assets or liabilities that are exposed to significant interest rate risk.

Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash and bank balances, trade receivables and entrusted loan receivables. Our cash and bank balances are mainly placed with State-owned banks in the PRC and foreign banks, which we believe to be of high credit quality.

Liquidity and cashflow risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and through progress billings collected from customers. We finance our working capital requirements through a combination of funds generated from operations and bank borrowings. As of 30 June 2010, we had combined bank borrowing and trade and other payables of RMB161.6 million due within one year, RMB30.2 million due between one to two years and RMB48.8 million due between two and five years, respectively. We believe our exposure to liquidity risk is limited as our cash and marketable securities balances are more than sufficient to meet our current obligations.

For additional information on our exposure to foreign exchange rate risk, interest rate risk, credit risk and liquidity and cashflow risks please refer to Note 3 to the Accountant’s Report included as Appendix I to this document.

DIVIDEND POLICY

After completion of [●], we currently intend to pay dividends each year in the amount of no more than 30% of our profit for the year attributable to equity holders.

The timing, amount and form of future dividends, if any, will depend on, inter alia:

- our results of operations and cash flows;
- our future prospects;
- general business conditions;
- our capital requirements and surplus;
- contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to our Company;
- taxation considerations;
- possible effects on our Company’s creditworthiness;
- statutory and regulatory restrictions; and
- any other factors our Board may deem relevant.

FINANCIAL INFORMATION

Our Company’s ability to pay cash dividends will also depend upon the amount of distributions, if any, received by the Company from our PRC operating subsidiaries. Under PRC laws, dividends may be paid only out of distributable profits calculated according to the PRC GAAP, which differs from generally accepted accounting principles in other jurisdictions. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

There can be no assurance that any dividends will be paid. Investors should consider the risk factors affecting our Group as set forth in the section headed “Risk Factors” in this document and the cautionary notice regarding forward-looking statements contained in the section headed “Forward-Looking Statements” in this document.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of 30 September 2010. The text of the letter, summary of valuation and the summary valuation certificates are set out in Appendix IV to this Document.

PROPERTY VALUE RECONCILIATION

Particulars of the Group’s property interests are set out in Appendix IV to this Document. Jones Lang LaSalle Sallmanns Limited has valued the property interests of the Group as at 30 September 2010. A summary of values and valuation certificates issued by Jones Lang LaSalle Sallmanns Limited are included in Appendix IV to this Document.

The table below sets forth the reconciliation of aggregate amounts of property interests from the Group’s audited combined financial statements as 30 June 2010 to the unaudited net bookvalue of the Group’s property interests as at 30 September 2010:

	RMB millions
Net book value of property interests of the Group as at 30 June 2010	89
Additions	17
Depreciation	(1)
Disposals	—
Net book value as at 30 September 2010	105
Valuation on property interests surplus as 30 September 2010	8
Valuation as at 30 September 2010 per “appendix IV — Property Valuation Report	113

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

In 2009 a subsidiary of the Group granted an entrusted loan of RMB50.0 million to Tralin Paper. This loan has been settled in full as of 30 June 2010.

Shandong Tralin Packaging has been procuring from Tralin Paper the Utilities in support of the first production line of our Gaotang Factory during the Track Record Period pursuant to the Master Agreement entered into between Shandong Tralin Packaging and Tralin Paper. Pursuant to the Master Agreement, Tralin Paper has been providing Shandong Tralin Packaging with the Utilities, which in turn was supplied to Tralin Paper by the relevant local utility providers in the PRC, for a term of 20 years from 3 May 2005 to 2 May 2025 at a consideration equivalent to the actual charges imposed by the PRC utility providers on Tralin Paper. Subsequent to the Master Agreement, Shandong Tralin Packaging has entered into three Utilities Agreements with Tralin Paper to determine and renew the price of the Utilities supplied to Shandong Tralin Packaging.

Details of additional related party transactions are set out in note 30 of the Accountant’s Report in Appendix I to this document.

DISTRIBUTABLE RESERVES

As our Company was not incorporated in the Cayman Islands until 29 July 2010, as of 30 June 2010, we had no reserves available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 June 2010 (being the date of our latest audited combined statements of financial results, as set out in the Accountant’s Report in Appendix I to this document).

FUTURE PLANS

[●]

APPENDIX I ACCOUNTANT’S REPORT

The following is the text of a report received from the Company’s [●], PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company [●] pursuant to the requirements of Auditing Guideline 3.340 [●].



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

[DRAFT]

[Date]

The Directors
Greatview Aseptic Packaging Company Limited

[●]

Dear Sirs,

We report on the financial information (the “Financial Information”) of Greatview Aseptic Packaging Company Limited (the “Company”) and its subsidiaries (together, the “Group”) which comprises the combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2007, 2008 and 2009 and the six months period ended 30 June 2009 and 2010 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes. This Financial Information has been prepared by the directors of the Company and is set out in Sections I to II below, for inclusion in Appendix I to the [●].

The Company was incorporated in the Cayman Islands on 29 July 2010 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1 of Section II below, which was completed on [●], the Company became the holding company of the subsidiaries now comprising the Group (the “Reorganisation”).

APPENDIX I ACCOUNTANT’S REPORT

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(a) of Section II below. All of these companies are private companies.

All companies comprising the Group have adopted 31 December as their financial year end date. No statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the Reorganisation and there is no statutory requirement to do so. The statutory audited financial statements during the Relevant Periods of the companies now comprising the Group for which there is a statutory audit requirement have been prepared in accordance with accounting principles applicable to their respective places of incorporation. Details of the financial statements of the companies now comprising the Group that are subject to audit and the names of respective auditors are set out in Note 1(b) of Section II below.

The directors of the Company have prepared combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”). The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company in accordance with International Standards on Auditing (the “ISA”) issued by the International Auditing and Assurance Standard Board (the “IAASB”) pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(b) of Section II below.

Directors’ responsibility for the Financial Information

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the basis of presentation set out in Note 1(b) of Section II below and in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out additional procedures in accordance with the Auditing Guideline 3.340 issued by the Hong Kong Institution of Certified Public Accountants (“HKICPA”).

APPENDIX I ACCOUNTANT’S REPORT

Opinion

In our opinion, the Financial Information gives, for the purposes of the [●] and presented on the basis set out in Note 1(b) of Section II below a true and fair view of the combined state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the Group’s combined results and cash flows for each of the respective years and period then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the [●] which comprises the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the “Stub Period Comparative Financial Information”).

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1(b) of Section II below and the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the [●] and presented on the basis set out in Note 1(b) of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

APPENDIX I ACCOUNTANT’S REPORT

I. COMBINED FINANCIAL INFORMATION

The following is the Financial Information of the Group prepared by the directors of the Company as of 31 December 2007, 2008 and 2009 and 30 June 2010, and for each of the years ended 31 December 2007, 2008 and 2009 and each of the six months period ended 30 June 2009 and 2010, presented on the basis set out in Note 1(b) of Section II below:

COMBINED BALANCE SHEETS

	Notes	As at 31 December			As at
		2007	2008	2009	30 June
		RMB’000	RMB’000	RMB’000	2010
					RMB’000
ASSETS					
Non-current assets					
Property, plant and equipment	7	235,814	225,325	435,079	467,191
Land use rights	8	1,465	1,434	2,763	2,734
Intangible assets	9	60,547	54,362	47,979	48,214
Deferred income tax assets	18	9,200	15,679	16,645	15,739
Long-term prepayment		<u>3,710</u>	<u>9,631</u>	<u>1,056</u>	<u>1,378</u>
		<u>310,736</u>	<u>306,431</u>	<u>503,522</u>	<u>535,256</u>
Current assets					
Inventories	10	72,260	106,709	157,417	138,912
Trade receivables, other receivables and prepayments	11	75,861	84,799	176,062	332,447
Cash and bank balances	12	<u>64,420</u>	<u>172,665</u>	<u>144,259</u>	<u>149,199</u>
		<u>212,541</u>	<u>364,173</u>	<u>477,738</u>	<u>620,558</u>
Total assets		<u><u>523,277</u></u>	<u><u>670,604</u></u>	<u><u>981,260</u></u>	<u><u>1,155,814</u></u>

APPENDIX I ACCOUNTANT’S REPORT

COMBINED BALANCE SHEETS

	Notes	As at 31 December			As at
		2007	2008	2009	30 June
		RMB’000	RMB’000	RMB’000	2010
					RMB’000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Combined capital and capital reserve	13	324,410	324,410	461,777	461,777
Statutory reserve	14	1,680	12,684	30,899	30,899
Exchange reserve		—	—	13	34
Retained earnings		44,968	121,723	268,416	354,308
Total equity		<u>371,058</u>	<u>458,817</u>	<u>761,105</u>	<u>847,018</u>
LIABILITIES					
Non-current liabilities					
Borrowings	17	—	—	85,290	72,160
Deferred government grants	15	—	10,000	9,667	9,500
Deferred income tax liabilities	18	798	798	—	—
		<u>798</u>	<u>10,798</u>	<u>94,957</u>	<u>81,660</u>
Current liabilities					
Trade payables, other payables and accruals	16	60,792	68,928	100,186	181,893
Amount due to former holding company	19	90,629	82,061	—	—
Income tax liabilities		—	—	5,302	8,973
Borrowings	17	—	50,000	19,710	36,270
		<u>151,421</u>	<u>200,989</u>	<u>125,198</u>	<u>227,136</u>
Total liabilities		<u>152,219</u>	<u>211,787</u>	<u>220,155</u>	<u>308,796</u>
Total equity and liabilities		<u>523,277</u>	<u>670,604</u>	<u>981,260</u>	<u>1,155,814</u>
Net current assets		<u>61,120</u>	<u>163,184</u>	<u>352,540</u>	<u>393,422</u>
Total assets less current liabilities		<u>371,856</u>	<u>469,615</u>	<u>856,062</u>	<u>928,678</u>

APPENDIX I ACCOUNTANT’S REPORT

COMBINED INCOME STATEMENTS

	Notes	Year ended 31 December			Six months period ended 30 June	
		2007	2008	2009	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
						(unaudited)
Revenue	20	380,388	524,968	771,870	378,723	503,226
Cost of sales	21	(288,581)	(390,596)	(503,213)	(246,886)	(337,527)
Gross profit		91,807	134,372	268,657	131,837	165,699
Other income — net	20	13,799	13,916	3,727	2,700	2,819
Distribution costs	21	(19,550)	(22,211)	(39,778)	(17,270)	(24,401)
Administrative expenses	21	(27,488)	(45,423)	(43,441)	(16,488)	(20,563)
Operating profit		58,568	80,654	189,165	100,779	123,554
Finance income/(expense) — net	24	178	626	827	(931)	409
Profit before income tax		58,746	81,280	189,992	99,848	123,963
Taxation	25	(2,688)	6,479	(25,084)	(12,542)	(14,657)
Profit for the year/period		<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>
Attributable to:						
Equity holders of the Company		<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>
Earnings per share for profit attributable to equity holders of the Company						
- Basic and diluted	26	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividend	27	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,414</u>

APPENDIX I ACCOUNTANT’S REPORT

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Year ended 31 December</u>			<u>Six months period ended 30 June</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
				(unaudited)	
Profit for the year/period	56,058	87,759	164,908	87,306	109,306
Other comprehensive income:					
Currency translation differences	<u>—</u>	<u>—</u>	<u>13</u>	<u>—</u>	<u>21</u>
Total comprehensive income for the year/period	<u>56,058</u>	<u>87,759</u>	<u>164,921</u>	<u>87,306</u>	<u>109,327</u>
Attributable to:					
- Equity holders of the Company	<u>56,058</u>	<u>87,759</u>	<u>164,921</u>	<u>87,306</u>	<u>109,327</u>
Total comprehensive income for the year/period	<u><u>56,058</u></u>	<u><u>87,759</u></u>	<u><u>164,921</u></u>	<u><u>87,306</u></u>	<u><u>109,327</u></u>

APPENDIX I ACCOUNTANT’S REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity owners				
	Combined capital and capital reserve	Statutory reserve	Exchange reserve	Retained earnings	Total
	RMB’000 (Note 13)	RMB’000 (Note 14)	RMB’000	RMB’000	RMB’000
As at 1 January 2007	324,410	—	—	(9,410)	315,000
Comprehensive income:					
Profit for the year	—	—	—	56,058	56,058
Transactions with owners:					
Transfer to statutory reserve	—	1,680	—	(1,680)	—
As at 31 December 2007	324,410	1,680	—	44,968	371,058
Comprehensive income:					
Profit for the year	—	—	—	87,759	87,759
Transactions with owners:					
Transfer to statutory reserve	—	11,004	—	(11,004)	—
As at 31 December 2008	324,410	12,684	—	121,723	458,817
Comprehensive income:					
Profit for the year	—	—	—	164,908	164,908
Other comprehensive income:					
Currency translation differences	—	—	13	—	13
Transactions with owners					
Contribution from shareholders during the year	137,367	—	—	—	137,367
Transfer to statutory reserve	—	18,215	—	(18,215)	—
As at 31 December 2009	<u>461,777</u>	<u>30,899</u>	<u>13</u>	<u>268,416</u>	<u>761,105</u>

APPENDIX I ACCOUNTANT’S REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity owners									
	Notes	Combined	Statutory	Exchange	Retained	Total				
		capital					reserve	reserve	earnings	RMB’000
		and								
reserve	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000					
		(Note 13)	(Note 14)							
As at 31 December 2009		461,777	30,899	13	268,416	761,105				
Comprehensive income:										
Profit for the period		—	—	—	109,306	109,306				
Other comprehensive income:										
Currency translation differences		—	—	21	—	21				
Transactions with owners:										
Dividend	27	—	—	—	(23,414)	(23,414)				
As at 30 June 2010		<u>461,777</u>	<u>30,899</u>	<u>34</u>	<u>354,308</u>	<u>847,018</u>				
As at 31 December 2008		324,410	12,684	—	121,723	458,817				
Comprehensive income:										
Profit for the period (unaudited)		—	—	—	87,306	87,306				
Transactions with owners:										
Contribution from shareholders during the period		<u>137,367</u>	—	—	—	<u>137,367</u>				
As at 30 June 2009 (unaudited)		<u>461,777</u>	<u>12,684</u>	<u>—</u>	<u>209,029</u>	<u>683,490</u>				

APPENDIX I ACCOUNTANT’S REPORT

COMBINED CASH FLOW STATEMENTS

	Notes	Year ended 31 December			Six months period ended 30 June	
		2007	2008	2009	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
						(unaudited)
Cash flows from operating activities						
Cash generated from operations	28	52,894	54,580	182,594	43,303	36,709
Interest paid		(194)	(847)	(1,754)	(1,572)	(1,312)
Income tax paid		—	—	(21,546)	(9,984)	(10,080)
Net cash generated from operating activities		52,700	53,733	159,294	31,747	25,317
Cash flows from investing activities						
Property, plant and equipment (“PPE”)						
— Additions		(46,141)	(9,225)	(224,920)	(144,168)	(45,311)
— Prepayment		(3,710)	(9,631)	(1,056)	—	(1,378)
— Interest paid - capitalised		—	—	(4,247)	(1,062)	(2,086)
— Value added tax paid		—	—	(22,962)	—	(3,371)
Government grant received related to PPE		—	10,000	—	—	—
Proceeds from disposal of PPE		2,331	46	1,155	11	833
Acquisition of land use rights		—	—	(1,367)	—	—
Purchase of intangible assets		—	(231)	(68)	—	(295)
Entrusted loan granted to an affiliate of a former shareholder (Note 11)		—	—	(50,000)	—	50,000
Interest received		668	2,054	2,427	641	2,128
Net cash (used in)/generated from investing activities		(46,852)	(6,987)	(301,038)	(144,578)	520

APPENDIX I ACCOUNTANT’S REPORT

	Notes	Year ended 31 December			Six months period ended 30 June	
		2007	2008	2009	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
						(unaudited)
Cash flows from financing activities						
Proceeds from borrowings		—	50,000	105,000	105,000	10,000
Repayments of borrowings		(14,000)	—	(50,000)	(50,000)	(6,570)
Contribution from former holding company		—	—	55,238	55,238	—
Dividends paid to equity holders		—	—	—	—	(23,414)
Net cash (used in)/generated from financing activities		(14,000)	50,000	110,238	110,238	(19,984)
Net (decrease)/increase in cash and cash equivalents		(8,152)	96,746	(31,506)	(2,593)	5,853
Cash and cash equivalents at beginning of year/period		67,868	59,420	155,585	155,585	124,233
Exchange (loss)/gains on cash and cash equivalents		(296)	(581)	154	—	(407)
Cash and cash equivalents at end of the year/period		<u>59,420</u>	<u>155,585</u>	<u>124,233</u>	<u>152,992</u>	<u>129,679</u>

APPENDIX I ACCOUNTANT’S REPORT

II NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

(a) General information and group reorganisation

Greatview Aseptic Packaging Company Limited (the “Company”) was incorporated in Cayman Islands on 29 July 2010 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the “Group”) are principally engaged in the business of manufacturing, distribution and selling paper packaging for soft drinks and beverages, and filling machines (the “[●] Business”), principally in the People’s Republic of China (the “PRC”).

In preparation for the [●] of the Company on the [●], the Company underwent a group reorganisation, pursuant to which the companies engaged in [●] Business were transferred to the Company (“the Reorganisation”). The Reorganisation involved the following steps:

- On 29 July 2010, the Company was incorporated with one share of HK\$0.01 allotted and issued to Hexis Enterprises Limited (“Hexis”). On 23 July 2010 Partner One Enterprises Limited (“Partner One”) was incorporated with one share of US\$ 1.00 allotted and on 16 August 2010 issued one share to the Company. Hexis also holds 100% equity interests in Greatview Holdings Limited (“Greatview Holdings”) that owns, directly or indirectly, all other [●] Business entities.
- Pursuant to a deed of assignment dated 11 November 2010, the Company through Partner One acquired from Hexis, at face value, interest free shareholder’s loan totalling US\$60 million due from Greatview Holdings to Hexis. In addition, on [●] 2010, the Company, through Partner One, acquired from Hexis all of Hexis’ equity interest, i.e. 1 Share, in Greatview Holdings.
- On [●] 2010, as consideration for the acquisition of the 1 Share in Greatview Holdings and repayment of US\$10 million payable to Hexis, the Company issued a total of [●] new shares to Hexis, and Hexis then distributed all such shares to its shareholders. Moreover, on [●] 2010, the Company settled in cash US\$50 million payable to Hexis.
- Upon receiving the US\$50 million, Hexis declared and paid a dividend of the same amount to its shareholders. The payment of US\$50 million has been accounted for as deemed distribution by the [●] Business.

APPENDIX I ACCOUNTANT’S REPORT

- After the completion of the Reorganisation on [●], the Company became the holding company of the subsidiaries now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment	Principal activities	Legal status	Issued or registered/paid up capital	Effective interest held as at					
					December 31			June 30		Note
					2007	2008	2009	2010		
Directly owned:										
Partner One Enterprises Limited	British Virgin Island, 23 July 2010	Investment holding	Limited liability company	USD1	—	—	—	—	(i)	
Indirectly owned:										
Greatview Holdings Limited	Hong Kong, 8 November 2004	Investment holding	Limited liability company	HKD1	100%	100%	100%	100%	(ii)	
Shandong Tralin Packaging Co., Ltd.	PRC, 28 December 2001	Production and sale of package products	Foreign investment enterprise	US\$40,000,000	100%	100%	100%	100%	(ii)	
Beijing Tralin Packaging Machinery Co., Ltd.	PRC, 21 December 2007	Production and sale of filling machines	Foreign investment enterprise	RMB10,000,000	—	100%	100%	100%	(ii)	
Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. (previously named “Tralin Packaging (Inner Mongolia) Co., Ltd.”)	PRC, 24 October 2008	Production and sale of package products	Foreign investment enterprise	US\$20,000,000	—	—	100%	100%	(ii)	
Tralin Pak Europe GmbH	Switzerland, 27 April 2009	Sale of package products	Foreign investment enterprise	CHF 50,000	—	—	100%	100%	(i)	
Beijing Greatview Tralin Trading Company Limited	PRC, 18 March 2010	Sale of package products and equipment, technical development and service	Foreign investment enterprise	US\$750,000	—	—	—	100%	(i)	

Notes:

- (i) No audited financial statements have been issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (ii) Name of statutory auditors of subsidiaries:

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The statutory financial statements of the subsidiaries for the years ended 31 December 2007, 2008 and 2009 where applicable, were audited by certified public accountants as follows:

	Name of statutory auditors		
	2007	2008	2009
<i>Incorporated in Hong Kong</i>			
Greatview Holdings Limited	PricewaterhouseCoopers 羅兵咸永道會計師事務所	PricewaterhouseCoopers 羅兵咸永道會計師事務所	PricewaterhouseCoopers 羅兵咸永道會計師事務所
<i>Incorporated in the PRC</i>			
Shandong Tralin Packaging Co., Ltd.	Shandong Taiyuan Certified Public Accountants Co., Ltd. 山東泰源會計師事務所有限公司	Gaotang Jincheng Certified Public Accountants Ltd. 高唐金城有限責任會計師事務所	Liaocheng Zhengkun Certified Public Accountants Ltd. 聊城正坤有限責任會計師事務所
Beijing Tralin Packaging Machinery Co., Ltd.	Not applicable	Beijing Jincheng Lixin Certified Public Accountants 北京金誠立信會計師事務所有限責任公司	Beijing Jincheng Lixin Certified Public Accountants 北京金誠立信會計師事務所有限責任公司
Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. (previously named “Tralin Packaging (Inner Mongolia) Co., Ltd.”)	Not applicable	Not applicable	China Inner Mongolia Jingda Certified Public Accountants Limited 中國內蒙古經達會計師事務所有限責任公司

The English names of certain subsidiaries and auditors represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

All companies established in the PRC have adopted December 31 as their financial year end date for statutory reporting purpose.

(b) Basis of presentation

Immediately prior to and after the Reorganisation, the [●] Business is held by Greatview Holdings. The [●] Business is mainly conducted through Shandong Tralin Packaging Co., Ltd., Beijing Tralin Packaging Machinery Co., Ltd., Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. and Tralin Pak Europe GmbH, which are all 100% owned subsidiaries of Greatview Holdings. Pursuant to the Reorganisation, Greatview Holdings and the [●] Business are transferred to and held by the Company via Partner One. The Company and Partner One have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the [●] Business with no change in management of such business and the ultimate owners of the [●] Business remain the same. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the [●] Business under Greatview Holdings for all periods presented. For the purpose of this report, the financial information of the Group has been prepared on a combined basis as prescribed by [●].

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2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”).

The Financial Information has been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

The following standards and amendments to existing standards have been published and are relevant to the Group’s operation but not yet effective for the annual accounting period beginning January 1, 2010 and which the Group has not early adopted:

IFRS 9	‘Financial instruments’ addresses the classification and measurement of financial assets and is likely to affect the Group’s accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9’s full impact.
IAS 24 (Revised)	‘Related party disclosures’ supersedes IAS 24 ‘Related party disclosures’ issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised IAS 24 from 1 January 2011

The amendments and revisions above are not expected to have material impact on the Group’s financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

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The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the Financial Information to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The Financial Information is presented in Renminbi (“RMB”), which is the functional and presentation currency of the Company and a majority of the subsidiaries within the Group.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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Foreign exchange gains and losses that relate to borrowings and cash are presented in the income statement within “finance cost - net”. All other foreign exchange gains and losses are presented in the income statement within “other income - net”.

(c) ***Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

Buildings	30 years
Machinery	12 years
Vehicles and office equipment	4-8 years

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Depreciation on construction in progress commences when the assets are ready for their intended use.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Land use rights

Land use rights represent upfront operating lease payments made for the land and are stated at payments less amount written off on a straight line basis described below and impairment loss.

Upfront operating lease payments less impairment, if any, are written off to the income statement on a straight line basis over the lease period of 50 years.

2.7 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) *Technology know-how*

Separately acquired technology know-how is shown at historical cost. Technology know-how acquired in a business combination is recognised at fair value at the acquisition date. Technology know-how has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over its estimated useful life of 5 years.

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(c) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 years.

2.8 **Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 **Financial assets**

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group’s financial assets comprise trade receivables, other receivables, notes receivables and entrusted loan receivables (Note 2.10) and cash and bank balances (Note 2.12) in the balance sheet.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Loans and receivables are carried at amortised cost using the effective interest method.

2.10 **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are

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considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against in the income statement.

Trade and other receivables are included in current assets, except for those mature after twelve months of the balance sheet date which are classified as non-current assets.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred to finance construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.17 Employee benefits

All eligible employees of the Group’s subsidiaries which operate in the PRC participate in a central pension scheme operated by the local municipal government.

Contributions made are based on a percentage of the participating employees’ salaries and are charged to the income statement as they become payable in accordance with the rules of the above scheme. The employer contributions are vested fully once they are made.

2.18 Deferred government grants

Grant from the government is recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant relating to property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) *Sales of goods*

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assumed.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20 Leases — as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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3 Financial risk management

3.1 Financial risk factors

(a) *Market risk*

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

(i) *Foreign exchange risk*

The Group’s exposure to foreign exchange risk mainly relates to bank balances denominated in United States Dollars (“US dollar”) and EURO.

At the end of each of the years/period during the Relevant Periods, changes in US dollar or Euro against RMB would not have material impact on the profit after tax of the Group.

(ii) *Price risk*

The Group is not exposed to significant price risk as they do not hold equity financial assets or financial liabilities.

(iii) *Interest rate risk*

The Group’s exposure to interest rate risk arises mainly from cash and bank balances and borrowings. Cash and bank balances and borrowings at fixed rates expose the Group to fair value interest-rate risk, and those at variable rates expose the Group to cash flow interest-rate risk.

As at 31 December 2007, 2008, 2009 and 30 June 2010, approximately RMB3 million, RMB10 million, nil and RMB8 million respectively of the Group’s cash and bank balances were at fixed rates, approximately RMB61 million, RMB162 million, RMB144 million and RMB141 million of the Group’s cash and bank balances respectively were at variable rates.

As at 31 December 2008 RMB20 million and RMB30 million of the Group’s borrowing was at fixed and variable rates respectively. At as 31 December 2009 and 30 June 2010, the RMB105 million and RMB108 million respectively of the borrowing of the Group was at variable rates. The interest rates and maturities of the Group’s cash and bank balances and borrowings are disclosed in Notes 12 and 17.

Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

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At the end of each of the years/period during the Relevant Periods, changes in the interest rates on cash and bank balances and borrowings with all other variables including tax rate being held constant, would not have material impact on the profit after tax of the Group. The Group has no other financial assets or liabilities that are exposed to significant interest rate risk.

(b) *Credit risk*

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash and bank balances (Note 12), trade receivables and entrusted loan receivables (Note 11). The Group’s cash and bank balances are mainly placed with State-owned banks in the PRC and investment grade credit rated foreign banks, which management believes are of high credit quality.

Receivables are presented net of provision for impairment. The Group performs periodic credit evaluations of its customers and the trade credit terms granted, such as credit amount and length of payment are determined by management on case-by-case basis taking into account factors such as customers payment history.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and through collection from customers. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings (Note 17). The Group maintains undrawn banking facilities to manage its working capital requirements.

The table below analyses the Group’s non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

In RMB ’000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2007				
Trade and other payables	40,438	—	—	40,438
Amount due to former holding company	90,629	—	—	90,629
At 31 December 2008				
Borrowings	50,847	—	—	50,847
Trade and other payables	38,234	—	—	38,234
Amount due to former holding company	82,061	—	—	82,061

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In RMB '000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2009				
Borrowings	24,989	30,985	63,323	119,297
Trade and other payables	49,405	—	—	49,405
At 30 June 2010				
Borrowings	42,477	30,158	48,752	121,387
Trade and other payables	119,083	—	—	119,083

3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total equity. Total debt is calculated as interest bearing borrowings (including current and non-current borrowings as shown in the combined balance sheet). Total capital is calculated as equity as shown in the combined balance sheet.

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Total debt	—	50,000	105,000	108,430
Total equity	371,058	458,817	761,105	847,018
Debt-to-equity ratio	N/A	11%	14%	13%

The increase in the gearing ratio during 2009 resulted primarily from the increase in bank borrowing (Note 17). The Group’s general strategy is to maintain gearing ratio of about 10% to 50% or less.

The Group is not subject to any externally imposed capital requirements for the years ended 31 December 2007, 2008 and 2009 and six months period ended 30 June 2010.

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4 Fair value estimation

None of the financial instruments are carried of fair value.

The Group’s financial assets are classified as loans and receivables and are measured at amortised cost. The carrying amounts of the Group’s financial assets, including cash and bank balances, trade and other receivables, notes receivables and entrusted loan receivable, approximate their fair values due to their short maturities.

The carrying amounts of the Group’s financial liabilities, including trade and other payables, notes payables, amount due to former holding company and external borrowings are measured at amortised cost. The fixed-rate borrowing approximates its fair value due to its short maturities of less than one year. The carrying amounts of the variable-rate borrowings approximate their fair values because the interest rates are reset to market rates.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

5.1 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined base on value-in-use calculations. Refer to Note 9 for details of impairment testing of goodwill.

5.2 Estimated useful lives of intangible assets - technology know-how

The Group’s intangible assets, technology know-how is depreciated on a straight-line basis over its estimated useful live of 5 years. Management exercised judgment in estimating its useful life.

If management estimated useful life is reduced by one year, the Group’s carrying amount of technology know-how is reduced approximately by RMB4,790,000, RMB6,387,000, nil and nil as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively. Conversely, if the useful life is increased by one year, the Group’s carrying amount of know-how will be increased approximately by RMB3,194,000, RMB4,258,000, RMB5,323,000 and RMB2,661,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

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5.3 Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables and prepayments. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the year in which such estimate has been charged. When previous impaired debts are recovered, both doubtful debt expenses and provision for impairment balance are reversed in this year. In 2009, an amount of approximately RMB5,196,000 was recovered and therefore reversed. This amount was related to amount provided in 2008 with respect to mainly 3 customers who were experiencing financing difficulties in 2008.

5.4 Estimated provision for slow moving inventories

Provisions for declines in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realisable value. The estimation of net realisable values requires the use of judgements and estimates.

6 Segment report

Management has determined the operating segments based on the reports reviewed by the board of directors which are used for making strategic decisions.

The operating segment are based on sales generated by geographical areas. The segment information provided to the board of directors for the years ended 31 December 2007, 2008 and 2009 and six months period ended 30 June 2010 are as follows:

	<u>PRC</u>	<u>International</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
2007			
Sales — Revenue from external customers	375,304	5,084	380,388
Cost	(283,232)	(5,349)	(288,581)
Segment result	<u>92,072</u>	<u>(265)</u>	<u>91,807</u>
Other segment items			
Depreciation and amortisation	—	—	(29,392)
Interest income	—	—	668
Interest expense	—	—	(194)
2008			
Sales — Revenue from external customers	509,466	15,502	524,968
Cost	(375,783)	(14,813)	(390,596)
Segment result	<u>133,683</u>	<u>689</u>	<u>134,372</u>

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	<u>PRC</u>	<u>International</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000
Other segment items			
Depreciation and amortisation	—	—	(29,773)
Interest income	—	—	2,054
Interest expense	—	—	(847)
2009			
Sales — Revenue from external customers	731,702	40,168	771,870
Cost	(474,287)	(28,926)	(503,213)
Segment result	<u>257,415</u>	<u>11,242</u>	<u>268,657</u>
Other segment items			
Depreciation and amortisation	—	—	(34,761)
Interest income	—	—	2,427
Interest expense	—	—	(1,754)
Six months period ended 30 June 2010			
Sales — Revenue from external customers	465,516	37,710	503,226
Cost	(307,812)	(29,715)	(337,527)
Segment result	<u>157,704</u>	<u>7,995</u>	<u>165,699</u>
Other segment items			
Depreciation and amortisation	—	—	(15,805)
Interest income	—	—	2,127
Interest expense	—	—	(1,311)
<i>Unaudited</i>			
Six months period ended 30 June 2009			
Sales — Revenue from external customers	365,072	13,651	378,723
Cost	(235,984)	(10,902)	(246,886)
Segment result	<u>129,088</u>	<u>2,749</u>	<u>131,837</u>
Other segment items			
Depreciation and amortisation	—	—	(18,327)
Interest income	—	—	641
Interest expense	—	—	(1,572)

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A reconciliation of total segment result to total profit for the year/period is provided as follows:

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Segment result for reportable segments	91,807	134,372	268,657	131,837	165,699
Other income - net	13,799	13,916	3,727	2,700	2,819
Distribution costs	(19,550)	(22,211)	(39,778)	(17,270)	(24,401)
Administrative expenses	(27,488)	(45,423)	(43,441)	(16,488)	(20,563)
Operating profit	58,568	80,654	189,165	100,779	123,554
Finance income/(expense) - net	178	626	827	(931)	409
Profit before income tax	<u>58,746</u>	<u>81,280</u>	<u>189,992</u>	<u>99,848</u>	<u>123,963</u>
Income tax expense	(2,688)	6,479	(25,084)	(12,542)	(14,657)
Profit for the year/period	<u>56,058</u>	<u>87,759</u>	<u>164,908</u>	<u>87,306</u>	<u>109,306</u>

Although the international segment does not meet the quantitative thresholds required by IFRS8, management has concluded that this segment should be reported, as it is closely monitored by the board of directors as a potential growth region.

Information on segment assets and liabilities are not disclosed as this information is not presented to the board of directors as they do not assess performance of reportable segments using information on assets and liabilities. The non-current assets excluding financial instruments, deferred tax assets (there is no employment benefit assets and rights arising under insurance contracts) amount to RMB301,536,000, RMB290,752,000, RMB486,877,000 and RMB519,517,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively, and are mainly located in the PRC; the amount held in other countries are not material to be separated allocated.

The following table presents financial information of sales generated from packaging material for:

	Revenue				
	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Dairy	244,175	339,363	515,409	242,798	375,850
Non-carbonated soft drink (“NCSD”)	136,213	185,605	256,461	135,925	127,376
	<u>380,388</u>	<u>524,968</u>	<u>771,870</u>	<u>378,723</u>	<u>503,226</u>

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Revenue of approximately RMB205,414,000 in 2007, RMB309,198,000 in 2008, RMB522,034,000 in 2009, RMB265,584,000 in the six months period ended 30 June 2009 and RMB316,378,000 in the six months period ended 30 June 2010 were derived from 3 single external customers in the respective year/period. Each of the external customers contributes more than 10% of the Group’s revenue individually in the respective year/period. These revenues are attributable to the PRC segment.

7 Property, plant and equipment

	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles and office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2007					
Cost	14,795	273,151	3,390	3,892	295,228
Accumulated depreciation	<u>(2,002)</u>	<u>(82,380)</u>	<u>(495)</u>	<u>—</u>	<u>(84,877)</u>
Net book amount	<u>12,793</u>	<u>190,771</u>	<u>2,895</u>	<u>3,892</u>	<u>210,351</u>
Year ended 31 December 2007					
Opening net book amount	12,793	190,771	2,895	3,892	210,351
Additions	—	74	50	49,910	50,034
Transfer upon completion	7,381	1,001	1,905	(10,287)	—
Disposals	—	(1,382)	(215)	—	(1,597)
Depreciation (Note (a))	<u>(489)</u>	<u>(21,680)</u>	<u>(805)</u>	<u>—</u>	<u>(22,974)</u>
Closing net book amount	<u>19,685</u>	<u>168,784</u>	<u>3,830</u>	<u>43,515</u>	<u>235,814</u>
As at 31 December 2007					
Cost	22,176	272,844	4,924	43,515	343,459
Accumulated depreciation	<u>(2,491)</u>	<u>(104,060)</u>	<u>(1,094)</u>	<u>—</u>	<u>(107,645)</u>
Net book amount	<u>19,685</u>	<u>168,784</u>	<u>3,830</u>	<u>43,515</u>	<u>235,814</u>
Year ended 31 December 2008					
Opening net book amount	19,685	168,784	3,830	43,515	235,814
Additions	—	4,185	1,937	6,813	12,935
Transfer upon completion	260	41,617	140	(42,017)	—
Disposals	—	—	(98)	—	(98)
Depreciation (Note (a))	<u>(651)</u>	<u>(21,613)</u>	<u>(1,062)</u>	<u>—</u>	<u>(23,326)</u>
Closing net book amount	<u>19,294</u>	<u>192,973</u>	<u>4,747</u>	<u>8,311</u>	<u>225,325</u>
As at 31 December 2008					
Cost	22,436	318,646	6,762	8,311	356,155
Accumulated depreciation	<u>(3,142)</u>	<u>(125,673)</u>	<u>(2,015)</u>	<u>—</u>	<u>(130,830)</u>
Net book amount	<u>19,294</u>	<u>192,973</u>	<u>4,747</u>	<u>8,311</u>	<u>225,325</u>

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	Buildings	Machinery	Vehicles and office equipment	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2009					
Opening net book amount	19,294	192,973	4,747	8,311	225,325
Additions	—	68	1,994	236,736	238,798
Transfer upon completion	23,889	30,333	1,852	(56,074)	—
Disposals	—	(722)	(50)	—	(772)
Depreciation (Note (a))	(799)	(26,238)	(1,235)	—	(28,272)
Closing net book amount	<u>42,384</u>	<u>196,414</u>	<u>7,308</u>	<u>188,973</u>	<u>435,079</u>
As at 31 December 2009					
Cost	46,325	347,743	10,484	188,973	593,525
Accumulated depreciation	(3,941)	(151,329)	(3,176)	—	(158,446)
Net book amount	<u>42,384</u>	<u>196,414</u>	<u>7,308</u>	<u>188,973</u>	<u>435,079</u>
Six months period ended 30 June 2010					
Opening net book amount	42,384	196,414	7,308	188,973	435,079
Additions	—	3	1,620	46,830	48,453
Transfer upon completion	44,570	172,724	3,294	(220,588)	—
Disposals	—	(562)	(63)	—	(625)
Depreciation (Note (a))	(748)	(14,111)	(857)	—	(15,716)
Closing net book amount	<u>86,206</u>	<u>354,468</u>	<u>11,302</u>	<u>15,215</u>	<u>467,191</u>
As at 30 June 2010					
Cost	90,895	519,330	15,202	15,215	640,642
Accumulated depreciation	(4,689)	(164,862)	(3,900)	—	(173,451)
Net book amount	<u>86,206</u>	<u>354,468</u>	<u>11,302</u>	<u>15,215</u>	<u>467,191</u>

(a) Depreciation expenses have been charged to the income statement as follow:

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Cost of sales	22,451	22,643	27,491	14,692	15,231
Distribution costs	235	233	232	138	86
Administrative expenses	288	450	549	261	399
	<u>22,974</u>	<u>23,326</u>	<u>28,272</u>	<u>15,091</u>	<u>15,716</u>

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- (b) Bank borrowings are secured by certain property, plant and equipment with an aggregate net book values of approximately nil, RMB121 million, RMB119 million and RMB111 million as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.(Note 17).
- (c) The Group’s building are located in the PRC.
- (d) Borrowing cost capitalised into the cost of property, plant and equipment was as follows:

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Borrowing cost capitalised	—	—	4,247	1,062	2,086
				(unaudited)	

8 Land use rights

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB’000	RMB’000	RMB’000	RMB’000
Opening net book amount	1,496	1,465	1,434	2,763
Additions	—	—	1,367	—
Amortisation (Note 21)	(31)	(31)	(38)	(29)
Closing net book amount	1,465	1,434	2,763	2,734
Cost	1,526	1,526	2,893	2,893
Accumulated amortisation	(61)	(92)	(130)	(159)
Net book amount	1,465	1,434	2,763	2,734

All of the Group’s land use rights are located in the PRC with the leasehold period between 10 to 50 years.

Amortisation of the Group’s leasehold land has been charged to administrative expenses in the income statements.

Bank borrowings are secured by land use right with an aggregate net book value of approximately RMB1.4 million as of 31 December 2009 and RMB1.4 million as of 30 June 2010 (2007 and 2008: nil) (Note 17).

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9 Intangible assets

	Goodwill	Technology know-how	Computer software	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2007				
Cost	47,773	31,936	—	79,709
Accumulated amortisation	—	(12,775)	—	(12,775)
Net book amount	<u>47,773</u>	<u>19,161</u>	<u>—</u>	<u>66,934</u>
Year ended 31 December 2007				
Opening net book value	47,773	19,161	—	66,934
Amortisation (Note 21)	—	(6,387)	—	(6,387)
Closing net book amount	<u>47,773</u>	<u>12,774</u>	<u>—</u>	<u>60,547</u>
As at 31 December 2007				
Cost	47,773	31,936	—	79,709
Accumulated amortisation	—	(19,162)	—	(19,162)
Net book amount	<u>47,773</u>	<u>12,774</u>	<u>—</u>	<u>60,547</u>
Year ended 31 December 2008				
Opening net book value	47,773	12,774	—	60,547
Additions	—	—	231	231
Amortisation (Note 21)	—	(6,387)	(29)	(6,416)
Closing net book amount	<u>47,773</u>	<u>6,387</u>	<u>202</u>	<u>54,362</u>
As at 31 December 2008				
Cost	47,773	31,936	231	79,940
Accumulated amortisation	—	(25,549)	(29)	(25,578)
Net book amount	<u>47,773</u>	<u>6,387</u>	<u>202</u>	<u>54,362</u>
Year ended 31 December 2009				
Opening net book value	47,773	6,387	202	54,362
Additions	—	—	68	68
Amortisation (Note 21)	—	(6,387)	(64)	(6,451)
Closing net book amount	<u>47,773</u>	<u>—</u>	<u>206</u>	<u>47,979</u>
As at 31 December 2009				
Cost	47,773	31,936	299	80,008
Accumulated amortisation	—	(31,936)	(93)	(32,029)
Net book amount	<u>47,773</u>	<u>—</u>	<u>206</u>	<u>47,979</u>
Six months period ended 30 June 2010				
Opening net book value	47,773	—	206	47,979
Additions	—	—	295	295
Amortisation (Note 21)	—	—	(60)	(60)
Closing net book amount	<u>47,773</u>	<u>—</u>	<u>441</u>	<u>48,214</u>
As at 30 June 2010				
Cost	47,773	31,936	594	80,303
Accumulated amortisation	—	(31,936)	(153)	(32,089)
Net book amount	<u>47,773</u>	<u>—</u>	<u>441</u>	<u>48,214</u>

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Amortisation of the Group’s intangible assets has been charged to administrative expense in the income statements.

Impairment tests for goodwill

The goodwill arose from acquisition of Shandong Tralin Packaging Co., Ltd. in January 2005. As a result, the goodwill is allocated to this subsidiary, which is included in the PRC operating segment.

The recoverable amount of a cash-generated unit (“CGU”) is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period using estimated growth rates which are base on past performance and their expectations of future development. Cash flows within the three-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB’000	RMB’000	RMB’000
Discount rate	17.7%	13.8%	11.8%
Growth rate	3%	3%	3%

During the Relevant Periods, no impairment of goodwill was recognised. No impairment loss would be expected should the discounted interest rate increased by 5%.

10 Inventories

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Raw materials	41,760	67,424	98,505	93,167
Work in progress	9,439	7,587	15,780	14,358
Finished goods	22,055	35,640	47,255	34,747
	73,254	110,651	161,540	142,272
Less: Provision for obsolescence	(994)	(3,942)	(4,123)	(3,360)
	72,260	106,709	157,417	138,912

For each of the years ended 31 December 2007, 2008 and 2009 and six months period ended 30 June 2010, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB289,000,000, RMB391,000,000, RMB503,000,000 and RMB338,000,000 respectively.

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11 Trade receivables, other receivables and prepayments

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables	50,842	71,055	69,653	191,023
Less: Provision for impairment	<u>(6,018)</u>	<u>(11,887)</u>	<u>(10,705)</u>	<u>(10,751)</u>
Trade receivables - net	44,824	59,168	58,948	180,272
Notes receivables	1,130	1,000	15,489	66,909
Value added tax deductible	—	523	26,178	29,000
Prepayments	18,245	17,610	28,411	31,435
Less: Provision for impairment	<u>—</u>	<u>—</u>	<u>(4,484)</u>	<u>(4,484)</u>
Prepayments - net	18,245	17,610	23,927	26,951
Entrusted loan receivable (Note (a))	—	—	50,000	—
Other receivables	<u>11,662</u>	<u>6,498</u>	<u>1,520</u>	<u>29,315</u>
	<u><u>75,861</u></u>	<u><u>84,799</u></u>	<u><u>176,062</u></u>	<u><u>332,447</u></u>

The Group does not hold any collateral as security.

- (a) Entrusted loan receivable represents an entrusted loan given by a subsidiary of the Group to Shandong Tralin Paper Co., Ltd. (“Shandong Tralin Paper”), an affiliate of a former shareholder, during 2009. This loan bears interest at 6.7% per annum (Note 30(c)). This loan was subsequently fully repaid by Shandong Tralin Paper in April 2010.

The carrying amounts of trade receivables, notes receivable, entrusted loan receivable and other receivables approximate their fair values and are mainly denominated in the following currencies:

		As at 31 December			As at 30 June
		2007	2008	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables	- RMB	50,842	71,055	62,977	185,226
	- EUR	<u>—</u>	<u>—</u>	<u>6,676</u>	<u>5,797</u>
		<u>50,842</u>	<u>71,055</u>	<u>69,653</u>	<u>191,023</u>
Notes receivable	- RMB	1,130	1,000	15,489	66,909
Entrusted loan receivable	- RMB	—	—	50,000	—
Other receivables	- RMB	11,662	6,498	1,520	2,151
	- USD	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,164</u>
		<u>11,662</u>	<u>6,498</u>	<u>1,520</u>	<u>29,315</u>

The credit terms granted to customers by the Group were usually 15 to 90 days during the Relevant Periods.

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The ageing analysis of trade receivables as at 31 December 2007, 2008 and 2009 and 30 June 2010 was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables, gross				
0-30 days	27,977	31,453	35,031	132,640
31-90 days	11,496	20,829	13,414	42,496
91-365 days	11,116	17,057	11,316	6,694
Over 1 year	253	1,716	9,892	9,193
	50,842	71,055	69,653	191,023

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group’s trade receivables that are neither past due nor impaired are from customers with good credit history and low default rate.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of RMB7,011,000, RMB16,584,000, RMB20,934,000 and RMB20,591,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follow:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Up to 90 days	6,260	15,249	20,025	19,293
91 to 180 days	751	1,335	909	1,298
	7,011	16,584	20,934	20,591

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As of 31 December 2007, 2008, 2009 and 30 June 2010, trade receivables of RMB13,770,000, RMB21,540,000, RMB13,350,000 and RMB12,371,000 were impaired and provided for. The amount of the provision was RMB6,018,000 in 2007, RMB11,887,000 in 2008, RMB10,705,000 in 2009 as of 31 December and RMB10,751,000 as of 30 June 2010. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables are as follow:

	<u>As at 31 December</u>			<u>As at</u>
				<u>30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Up to 30 days	1,194	292	—	—
31 to 90 days	2,061	3,640	—	148
91 to 365 days	10,294	15,895	3,458	3,110
Over 365 days	<u>221</u>	<u>1,713</u>	<u>9,892</u>	<u>9,113</u>
	<u>13,770</u>	<u>21,540</u>	<u>13,350</u>	<u>12,371</u>

Movements on the Group’s provision for impairment of receivables are as below:

	<u>As at 31 December</u>			<u>As at</u>
				<u>30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At beginning of the year/period	(5,824)	(6,018)	(11,887)	(10,705)
Provision for impairment	(1,113)	(6,097)	(4,328)	(461)
Reversed during the year	—	—	5,196	415
Receivables written off during the year	<u>919</u>	<u>228</u>	<u>314</u>	<u>—</u>
At end of the year/period	<u>(6,018)</u>	<u>(11,887)</u>	<u>(10,705)</u>	<u>(10,751)</u>

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12 Cash and bank balances

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Cash at bank and on hand	61,270	162,329	144,259	141,029
Bank deposits	3,150	10,336	—	8,170
	<u>64,420</u>	<u>172,665</u>	<u>144,259</u>	<u>149,199</u>

For the purpose of presenting the combined cash flow statement, the combined cash and cash equivalents comprise the following:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Cash and bank balances	64,420	172,665	144,259	149,199
Less: Restricted cash	(1,850)	(6,744)	(20,026)	(11,350)
Restricted bank deposits	(3,150)	(10,336)	—	(8,170)
Cash and cash equivalents per combined cash flow statement	<u>59,420</u>	<u>155,585</u>	<u>124,233</u>	<u>129,679</u>

The restricted cash and bank deposits are held in dedicated bank accounts mainly for the issuance of letter of credit to suppliers.

The effective interest rates per annum on restricted bank deposit, with maturities ranging from 3 months to 6 months, were approximately from 1.98% to 2.28% for the year ended 31 December 2007, from 1.17% to 3.78% for the year ended 31 December 2008, 1.71% for the year ended 31 December 2009 and 1.98% for the six months period ended 30 June 2010.

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The carrying amounts of cash and bank balances of the Group are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
RMB	60,178	90,615	84,295	124,373
US\$	4,242	82,050	48,549	22,855
EUR	—	—	11,415	1,852
Others	—	—	—	119
	<u>64,420</u>	<u>172,665</u>	<u>144,259</u>	<u>149,199</u>

13 Combined capital and capital reserve

Combined capital and capital reserve mainly comprised share capital of Greatview Holdings of HK\$1 (equivalent to RMB1) and contribution from the former holding company, Hexis.

The contribution from Hexis is unsecured, interest free, with no repayment terms. For 2009, an amount equivalent to RMB55,238,000 was received from Hexis as contribution from shareholder. In addition, an amount due to former holding company of RMB82,129,000 was capitalised as contribution from shareholder during the same year.

14 Statutory reserve

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
At beginning of the year/period	—	1,680	12,684	30,899
Transfer from retained earnings	<u>1,680</u>	<u>11,004</u>	<u>18,215</u>	—
At end of the year/period	<u>1,680</u>	<u>12,684</u>	<u>30,899</u>	<u>30,899</u>

In accordance with PRC regulations and the Articles of Association of the PRC companies, the PRC companies in the Group are required to make appropriations from net profits to the statutory reserves, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentages of profits to be appropriated to the above funds are determined by the board of directors of the PRC companies.

The principal PRC subsidiary of the Group appropriates 10% of its net profit as shown in the accounts prepared under PRC generally accepted accounting principles to statutory reserve, until the reserve reaches 50% of the registered capital. Appropriation of the statutory reserve must be made before distribution of dividends to equity holders.

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15 Deferred government grants

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Opening net amount at beginning of year/period	—	—	10,000	9,667
Addition	—	10,000	—	—
Amortisation	—	—	(333)	(167)
Closing net amount at end of year/period	<u>—</u>	<u>10,000</u>	<u>9,667</u>	<u>9,500</u>
At the end of the year/period				
Cost	—	10,000	10,000	10,000
Less: accumulated amortisation	—	—	(333)	(500)
Net book amount	<u>—</u>	<u>10,000</u>	<u>9,667</u>	<u>9,500</u>

The government grant amounting to RMB10 million received by a subsidiary of the Group in 2008 was for the construction of the subsidiary’s factory in Gaotang Country Liaocheng City, Shandong Province.

16 Trade payables, other payables and accruals

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	31,634	20,051	34,731	93,233
Notes payables	2,000	12,139	—	—
Advances from customers	8,082	13,600	26,849	10,634
Accrued expenses	9,804	17,094	23,427	44,087
Value added tax payable (Note (a))	2,468	—	505	8,089
Salary and welfare payable	5,087	5,452	10,755	9,540
Other payables	1,717	592	3,919	16,310
	<u>60,792</u>	<u>68,928</u>	<u>100,186</u>	<u>181,893</u>

- (a) Certain subsidiaries of the Group are subject to output value added tax (“VAT”) generally calculated at 17% of the product selling prices. An input credit is generally available at 17% whereby input VAT previously paid on purchases of raw materials and equipments can be used to offset the output VAT to determine the net VAT payable/(deductible).

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The ageing analysis of the Group’s trade payables at each balance sheet date of the Relevant Periods is as follows:

	As at 31 December			As at
				30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Within 30 days	19,065	18,590	32,058	87,995
31-90 days	11,275	1,003	1,437	4,650
91-365 days	1,016	161	1,065	441
Over 365 days	278	297	171	147
	<u>31,634</u>	<u>20,051</u>	<u>34,731</u>	<u>93,233</u>

The carrying amounts of trade payables, notes payables, other payables and salary and welfare payable approximate their fair values and are mainly denominated the following currencies:

		As at 31 December			As at
					30 June
		2007	2008	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	- RMB	31,565	20,051	26,881	76,027
	- US\$	60	—	7,587	16,763
	- Others	9	—	263	443
		<u>31,634</u>	<u>20,051</u>	<u>34,731</u>	<u>93,233</u>
Notes payables	- RMB	2,000	12,139	—	—
Salary and welfare payable	- RMB	5,087	5,452	10,608	9,286
	- Others	—	—	147	254
		<u>5,087</u>	<u>5,452</u>	<u>10,755</u>	<u>9,540</u>
Other payables	- RMB	1,717	592	3,870	16,034
	- Others	—	—	49	276
		<u>1,717</u>	<u>592</u>	<u>3,919</u>	<u>16,310</u>

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17 Borrowings

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current				
Secured bank borrowing	—	—	85,290	72,160
Current				
Secured bank borrowing	—	50,000	19,710	26,270
Unsecured bank borrowing	—	—	—	10,000
	—	50,000	19,710	36,270
Total borrowing	—	50,000	105,000	108,430

The bank borrowing of RMB50 million in year 2008 was secured against a subsidiary’s property, plant and equipment with an aggregate net book value of approximately RMB121 million (Note 7(b)) and trade receivables up to RMB37.68 million. RMB20 million of the borrowing was at fixed interest rate of 7.47% per annum, and RMB30 million of the borrowing was at variable interest rate from 5.31% to 7.47% per annum in 2008. The borrowing was fully repaid in 2009, and it approximated its fair value due to its short maturity.

The bank borrowing of RMB105 million in year 2009 is secured against a subsidiary’s property, plant and equipment with an aggregate net book value of approximately RMB119 million (Note 7(b)) and land use right with an aggregate net book value of approximately RMB1.4 million (Note 8). The borrowing will be fully repayable by 2014 and bears a floating interest rate which is based on People’s Bank of China’s rate. The effective interest rate is 6.33% and 6.33% per annum in year 2009 and six months period ended 30 June 2010. The carrying amount of the borrowing approximates its fair value because the interest rates are reset to market rates. Approximately RMB6,570,000 was repaid in the six months period ended 30 June 2010. As at 30 June 2010, this borrowing is secured against an aggregate net book value of approximately RMB111 million of the subsidiary’s property, plant and equipment (Note 7(b)) and an aggregate net book value of approximately RMB1.4 million of land use right (note 8).

In 2010, a subsidiary of the Group borrowed an additional RMB10 million of short term borrowing which was guaranteed by the Group’s principal subsidiary. The borrowing bears a floating interest rate which is based on People’s Bank of China’s rate. The effective interest rate is 5.31% for the six months period ended 30 June 2010.

The Group’s borrowings are denominated in RMB.

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The Group’s borrowings as at each of the balance sheet date in the Relevant Periods were repayable as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year	—	50,000	19,710	36,270
Between 1 and 2 years	—	—	26,250	26,240
Between 2 and 5 years	—	—	59,040	45,920
	—	50,000	105,000	108,430

18 Deferred income taxes

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Deferred tax assets	9,200	15,679	16,645	15,739
Deferred tax liabilities	(798)	(798)	—	—
	8,402	14,881	16,645	15,739

The gross movement on the deferred income tax account is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
At beginning of the year/period	11,090	8,402	14,881	16,645
Recognised in the income statement (Note 25)	—	6,479	1,764	(906)
Effect on change of tax rate charged to income statement	(2,688)	—	—	—
At end of the year/period	8,402	14,881	16,645	15,739

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The movement in deferred income tax assets during the years ended 31 December 2007, 2008, 2009 and six months period ended 30 June 2010 is as follows:

Deferred tax assets	Accrued expenses	Government grants	Impairments and provisions	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2007	—	—	12,144	12,144
Recognised in the income statement	—	—	—	—
Effect on change of tax rate charged to income statement	—	—	(2,944)	(2,944)
At 31 December 2007	—	—	9,200	9,200
Recognised in the income statement	2,125	2,375	1,979	6,479
At 31 December 2008	2,125	2,375	11,179	15,679
Recognised in the income statement	717	(42)	291	966
At 31 December 2009	2,842	2,333	11,470	16,645
Recognised in the income statement	(736)	(21)	(149)	(906)
At 30 June 2010	2,106	2,312	11,321	15,739
At 31 December 2008	2,125	2,375	11,179	15,679
Recognised in the income statement	618	(21)	(81)	516
At 30 June 2009 (Unaudited)	2,743	2,354	11,098	16,195

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The movement in deferred income tax liabilities during 31 December 2007, 2008, 2009 and six months period ended 30 June 2010 is as follows:

Deferred tax liabilities	Intangible asset
	RMB’000
At 1 January 2007	(1,054)
Recognised in the income statement	—
Effect on change of tax rate charged to income statement	<u>256</u>
At 31 December 2007	<u>(798)</u>
Recognised in the income statement	—
At 31 December 2008	<u>(798)</u>
Recognised in the income statement	<u>798</u>
At 31 December 2009	<u>—</u>
Recognised in the income statement	—
At 30 June 2010	<u>—</u>
At 31 December 2008	(798)
Recognised in the income statement	<u>399</u>
At 31 June 2009 (unaudited)	<u>(399)</u>

The amounts of tax losses mostly with 5 years expiry period for which no deferred tax asset were recognised in the balance sheet were approximately RMB775,000, RMB7,918,000 and RMB11,889,000 as of 31 December 2007, 2008 and 2009 and RMB12,644,000 as of 30 June 2010.

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19 Amount due to former holding company

The amount due to former holding company, Hexis, is denominated in United States dollar, unsecured, interest free and repayable on demand. The carrying value of the amount due to former holding company approximates its fair value as at 31 December 2007 and 31 December 2008. The amount was capitalised as contribution from shareholder during 2009 (Note 13).

20 Revenue and other income - net

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Sales of products	<u>380,388</u>	<u>524,968</u>	<u>771,870</u>	<u>378,723</u>	<u>503,226</u>
Other income - net:				(unaudited)	
- Income from sales of scrap materials	5,256	4,749	3,440	2,414	2,102
- Subsidy income from government	4,756	2,921	1,427	1,408	1,616
- Foreign exchange gain/(loss)	3,713	5,391	(1,480)	(1,317)	(1,216)
- Others	<u>74</u>	<u>855</u>	<u>340</u>	<u>195</u>	<u>317</u>
	<u>13,799</u>	<u>13,916</u>	<u>3,727</u>	<u>2,700</u>	<u>2,819</u>

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21 Expenses by nature

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Raw materials and consumables used	254,802	338,988	446,107	214,717	281,370
Changes in inventories of finished goods and work in progress	(17,479)	(11,733)	(19,808)	(3,425)	13,930
Provision for obsolescence on inventories	994	2,948	181	(543)	(763)
Depreciation and amortisation charges	29,392	29,773	34,761	18,327	15,805
- <i>Depreciation of property, plant and equipment</i> (Note 7)	22,974	23,326	28,272	15,091	15,716
- <i>Amortisation of intangible assets</i> (Note 9)	6,387	6,416	6,451	3,220	60
- <i>Amortisation of land use right</i> (Note 8)	31	31	38	16	29
Provision for impairment of receivables and prepayment	1,113	6,097	3,616	(816)	46
Employee benefit expenses (Note 22)	23,506	32,583	48,416	19,482	27,897
Auditors’ remuneration	464	549	655	—	—
Transportation expenses	10,773	13,768	22,195	10,497	13,930
Repair and maintenance expenses	7,587	5,279	9,532	2,973	4,930
Electricity and utilities	4,113	4,399	7,432	3,448	5,033
Rental expenses	1,048	2,073	2,767	1,361	1,945
Plating expenses	2,835	4,132	5,608	2,743	3,231
Travelling expenses	3,467	3,907	6,072	2,585	3,639
Advertising and promotional expenses	3,568	2,519	3,237	1,660	1,858
Other expenses	9,436	22,948	15,661	7,635	9,640
Total cost of sales, distribution costs and administrative expenses	335,619	458,230	586,432	280,644	382,491

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22 Employee benefits

The analysis of employee benefits is as follows:

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Wages and salaries (including discretionary bonuses) and other benefits	21,300	27,619	40,935	17,372	23,565
Social security costs	2,206	4,964	7,481	2,110	4,332
	23,506	32,583	48,416	19,482	27,897

23 Directors’ and senior management’s emoluments

(a) Directors’ emoluments

During the Relevant Periods, the remuneration of directors of the Company was as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer’s contribution to pension scheme	Total
Year ended 31 December 2007:							
Executive directors							
Mr. Bi Jeff Hua	—	604	856	—	71	—	1,531
Mr. Hong Gang	—	468	678	—	20	19	1,185
Non-executive directors							
Mr. Hildebrandt James Henry	—	—	—	—	—	—	—
Mr. Zhu Jia	—	—	—	—	—	—	—
Mr. Lew Kiang Hua	—	—	—	—	—	—	—
Ms. Shang Xiaojun	—	—	—	—	—	—	—
Mr. Danny Lee	—	—	—	—	—	—	—
Independent non-executive Directors							
Mr. Lueth Allen Warren	—	—	—	—	—	—	—
Mr. Behrens Ernst Hermann	—	—	—	—	—	—	—
Mr. Chen Weishu	—	—	—	—	—	—	—
	—	1,072	1,534	—	91	19	2,716

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Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer’s contribution to pension scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2008:							
Executive directors							
Mr. Bi Jeff Hua	—	1,154	290	—	—	—	1,444
Mr. Hong Gang	—	885	—	—	20	22	927
Non-executive directors							
Mr. Hildebrandt James Henry	—	—	—	—	—	—	—
Mr. Zhu Jia	—	—	—	—	—	—	—
Mr. Lew Kiang Hua	—	—	—	—	—	—	—
Ms. Shang Xiaojun	—	—	—	—	—	—	—
Mr. Danny Lee	—	—	—	—	—	—	—
Independent non-executive Directors							
Mr. Lueth Allen Warren	—	—	—	—	—	—	—
Mr. Behrens Ernst Hermann	—	—	—	—	—	—	—
Mr. Chen Weishu	—	—	—	—	—	—	—
	—	2,039	290	—	20	22	2,371
Year ended 31 December 2009:							
Executive directors							
Mr. Bi Jeff Hua	—	2,128	177	—	69	—	2,374
Mr. Hong Gang	—	998	83	—	25	25	1,131
Non-executive directors							
Mr. Hildebrandt James Henry	—	—	—	—	—	—	—
Mr. Zhu Jia	—	—	—	—	—	—	—
Mr. Lew Kiang Hua	—	—	—	—	—	—	—
Ms. Shang Xiaojun	—	—	—	—	—	—	—
Mr. Danny Lee	—	—	—	—	—	—	—
Independent non-executive Directors							
Mr. Lueth Allen Warren	—	—	—	—	—	—	—
Mr. Behrens Ernst Hermann	—	—	—	—	—	—	—
Mr. Chen Weishu	—	—	—	—	—	—	—
	—	3,126	260	—	94	25	3,505

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Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer’s contribution to pension scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Six months period ended 30 June 2010:							
Executive directors							
Mr. Bi Jeff Hua	—	1,065	—	—	89	—	1,154
Mr. Hong Gang	—	500	—	—	13	14	527
Non-executive directors							
Mr. Hildebrandt James Henry	—	—	—	—	—	—	—
Mr. Zhu Jia	—	—	—	—	—	—	—
Mr. Lew Kiang Hua	—	—	—	—	—	—	—
Ms. Shang Xiaojun	—	—	—	—	—	—	—
Mr. Danny Lee	—	—	—	—	—	—	—
Independent non-executive Directors							
Mr. Lueth Allen Warren	—	—	—	—	—	—	—
Mr. Behrens Ernst Hermann	—	—	—	—	—	—	—
Mr. Chen Weishu	—	—	—	—	—	—	—
	—	1,565	—	—	102	14	1,681
Six months period ended 30 June 2009 (unaudited):							
Executive directors							
Mr. Bi Jeff Hua	—	1,065	—	—	69	—	1,134
Mr. Hong Gang	—	498	—	—	12	12	522
Non-executive directors							
Mr. Hildebrandt James Henry	—	—	—	—	—	—	—
Mr. Zhu Jia	—	—	—	—	—	—	—
Mr. Lew Kiang Hua	—	—	—	—	—	—	—
Ms. Shang Xiaojun	—	—	—	—	—	—	—
Mr. Danny Lee	—	—	—	—	—	—	—
Independent non-executive Directors							
Mr. Lueth Allen Warren	—	—	—	—	—	—	—
Mr. Behrens Ernst Hermann	—	—	—	—	—	—	—
Mr. Chen Weishu	—	—	—	—	—	—	—
	—	1,563	—	—	81	12	1,656

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(b) **Five highest paid individuals**

During the Relevant Periods, the five individuals whose emoluments were the highest in the Group included 2, 2, 2, 2 and 2 directors, respectively, whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining individuals during the Relevant Periods were as follows:

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages and salaries (including discretionary bonuses) and other benefits	2,860	2,866	3,314	1,382	1,609
Social security costs	68	38	41	21	—
	2,928	2,904	3,355	1,403	1,609

The emoluments fell within the following bands:

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Emolument bands					
HK\$0 — HK\$1,000,000	2	2	1	3	3
HK\$1,000,001 — HK\$1,500,000	—	—	1	—	—
HK\$1,500,001 — HK\$2,500,000	1	1	1	—	—
	3	3	3	3	3

(c) During the Relevant Periods, no director or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

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24 Finance income/(expense) - net

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Interest expense - bank borrowings	(194)	(847)	(1,754)	(1,572)	(1,312)
Exchange loss on cash and cash equivalents	(296)	(581)	—	—	(407)
Finance expense	<u>(490)</u>	<u>(1,428)</u>	<u>(1,754)</u>	<u>(1,572)</u>	<u>(1,719)</u>
Interest income - cash and cash equivalents	668	2,054	1,215	641	655
- entrusted loan to Shandong Tralin Paper (Note 11 and 30(c))	—	—	1,212	—	1,473
Exchange gain on cash and cash equivalents	—	—	154	—	—
Finance income	<u>668</u>	<u>2,054</u>	<u>2,581</u>	<u>641</u>	<u>2,128</u>
Finance income/(expense) - net	<u>178</u>	<u>626</u>	<u>827</u>	<u>(931)</u>	<u>409</u>

Interest expenses of RMB4,247,000 and RMB2,086,000 have been capitalised into cost of property, plant and equipment for the year ended 31 December 2009 and six months period ended 30 June 2010 respectively (Note 7(d)).

25 Income tax expense

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Current income tax:					
Mainland China enterprise income tax (“EIT”)	—	—	26,848	13,457	13,751
Deferred tax (Note 18):					
Origination and reversal of temporary differences	—	(6,479)	(1,764)	(915)	906
Impact of change in the PRC tax rate	2,688	—	—	—	—
Taxation	<u>2,688</u>	<u>(6,479)</u>	<u>25,084</u>	<u>12,542</u>	<u>14,657</u>

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No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong for the Relevant Periods.

The Group’s subsidiaries established in the PRC are subject to the PRC statutory EIT of 33%, 25%, 25% and 25% on the assessable income for the years ended 31 December 2007, 2008, and 2009 and six months period ended 30 June 2010 respectively.

As a foreign investment production enterprise in the PRC, the Group’s principal subsidiary Shandong Tralin Packaging Co., Ltd is entitled to tax exemption for two years followed by a 50% reduction in tax rate in the next three years effective from the first cumulative tax profit-making year.

The Group’s principal subsidiary’s first cumulative tax profit-making year was 2007, so accordingly the preferential applicable income tax rate was 0% for 2007 and 2008, and 12.5% for 2009 and six months period ended 30 June 2010. This preferential tax rate will expire after 2011.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Profit before tax	<u>58,746</u>	<u>81,280</u>	<u>189,992</u>	<u>99,848</u>	<u>123,963</u>
Tax calculated at statutory tax rate of 25% (2007: 33%)	19,386	20,320	47,498	24,962	30,991
Preferential tax treatment for a principal subsidiary	(19,966)	(28,538)	(23,625)	(13,385)	(16,224)
Expenses not deductible for taxation purposes	461	80	58	—	315
Tax losses for which no deferred tax asset was recognised	119	1,775	963	965	189
Utilisation of previously unrecognised tax losses for which no deferred income tax was recognised	—	—	—	—	(765)
Re-measurement of deferred tax — change in the PRC tax rate	2,688	—	—	—	—
Differential tax rates on income of Group companies	<u>—</u>	<u>(116)</u>	<u>190</u>	<u>—</u>	<u>151</u>
Tax charge	<u>2,688</u>	<u>(6,479)</u>	<u>25,084</u>	<u>12,542</u>	<u>14,657</u>

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26 Earnings per share

Earnings per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 1(b) of this section.

27 Dividend

On 3 January 2010, the board of directors of Greatview Holdings declared an interim dividend for the year ended 31 December 2009 of USD3,429,249 (2007, 2008 and 2009: Nil) per ordinary share. The dividend was paid on 5 January 2010.

28 Cash generated from operations

	Year ended 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Profit before income tax	58,746	81,280	189,992	99,848	123,963
Adjustments for:				(unaudited)	
— Amortisation of intangible assets and land use right	6,418	6,447	6,489	3,236	89
— Amortisation of deferred revenue	—	—	(333)	(167)	(167)
— Depreciation of property, plant and equipment	22,974	23,326	28,272	15,091	15,716
— Impairment provision for trade receivables, other receivables and prepayments	1,113	6,097	3,616	(816)	46
— Provision for obsolescence on inventories	994	2,948	181	(543)	(763)
— (Profit)/Loss on disposal of property, plant and equipment	(734)	52	(383)	376	(208)
— Finance income — net	(178)	(626)	(827)	931	(409)
— Unrealised foreign exchange (gain)/loss	(6,476)	(5,596)	668	—	128
Changes in working capital:					
— Inventories	(15,491)	(37,397)	(50,889)	(54,151)	19,268
— Trade receivables, other receivables and prepayments	(9,263)	(15,035)	(22,585)	(53,652)	(203,188)
— Trade payables, other payables and accruals	(35,252)	(6,916)	28,393	33,150	82,234
— Amount due to former holding company	30,043	—	—	—	—
Cash generated in operations	52,894	54,580	182,594	43,303	36,709

APPENDIX I ACCOUNTANT’S REPORT

Non-cash transaction

The principal non-cash transaction is the capitalisation of amount due to former holding company of RMB82,129,000 as contribution from shareholder during 2009 (Note 13).

29 Commitments

(a) The Group’s capital commitments at the balance sheet date are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted but not provided for				
- Property, plant and equipment	12,332	34,395	9,538	6,314

(b) Operating leases commitments

The Group leases offices and warehouses under non-cancellable operating lease agreements. The lease terms are between three and ten years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
No later than 1 year	1,239	1,957	1,915	2,091
Later than 1 year and no later than 5 years	2,000	8,119	7,690	6,979
Later than 5 years	2,500	2,955	1,375	1,125
	5,739	13,031	10,980	10,195

APPENDIX I ACCOUNTANT’S REPORT

30 Related-party transactions

In addition to the information disclosed elsewhere in the Financial Information, the following transactions took place between the Group and related parties at terms agreed between the parties.

(a) **Name and relationship with related parties**

The related parties for which there were transactions with the Group are described below:

Name	Relationship
Hexis Enterprises Ltd.	Former holding company prior to Reorganisation
Shandong Tralin Paper	Affiliate of a former shareholder

(b) **Key management compensation**

Key management includes Directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year end 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Wages and salaries (including discretionary bonuses) and other benefits	6,090	6,804	8,295	3,530	4,156
Social security cost	143	226	199	81	89
	<u>6,233</u>	<u>7,030</u>	<u>8,494</u>	<u>3,611</u>	<u>4,245</u>

APPENDIX I ACCOUNTANT'S REPORT

(c) Transactions with Shandong Tralin Paper

	Year end 31 December			Six months period ended 30 June
	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Interest income via entrusted loan receivable	—	—	1,212	—
Utilities expenses	3,993	4,300	6,820	3,763
Purchase of machinery and inventories	5,934	—	—	—
Sales of products	2,295	—	—	—

Shandong Tralin Paper is an affiliate of a former shareholder which held interest in the [●] Business during 2007 and 2008 and disposed such interest in 2009. Therefore, after 2009 Shandong Tralin Paper is no longer a related party of the Group and accordingly, transactions with Shandong Tralin is not reported as related party transactions.

The interest income arose from an entrusted loan receivable amounting to RMB50 million given by a subsidiary of the Group to Shandong Tralin Paper (Note 11). The entrusted loan was fully repaid in April 2010.

(d) Balances with Shandong Tralin Paper

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Prepaid balance — prepayment of water and electricity expenses	—	9,512	1,583
Trade payable	9,043	—	—

(e) Transactions with Hexis Enterprises Ltd.

	Year end 31 December			Six months period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to Hexis	30,043	—	—	—	—

APPENDIX I ACCOUNTANT’S REPORT

31 Significant subsequent events

- (1) On 17th September 2010, the Group received a notice informing it that a competitor has filed a complaint in Germany against subsidiary companies of the Group. The named defendants in the notice are Tralin Pak Europe GmbH (“Tralin Europe”) and Tralin Packaging Company Limited; alleging patent infringement related to aseptic packaging material. The complaint seeks injunctive relief, accounting information and damages. The Directors of the Company intent to defend the claim vigorously and on 21 September 2010, Tralin Europe submitted its notice of defence . Furthermore, on 20 October 2010, Tralin Europe initiated Opposition Proceedings before the European Patent Office (“EPO”) to nullify the same patent in question with effect for all member states of the European Patent Convention.

The Directors of the Company together with the Company’s legal adviser are of the views that the Group has a strong case in defending the proceeding in Germany and the claim is not valid. Consequently, the Group considered there is no need to make any provision relating to this claim.

- (2) The Company was incorporated in Cayman Islands on 29 July 2010 with an authorised share capital of HKD 390,000 divided into 39,000,000 shares of HKD0.01 each. On the same date, the Company issued and allotted one share, credited as fully paid at par, to Hexis. Partner One Enterprises Limited was incorporated on 23 July 2010 in British Virgin Islands with issued share capital of USD1.00 and on 16 August 2010 issued the ordinary share to the Company.

As part of the reorganisation, on 15 November 2010, the authorised share capital of the Company was increased to HK\$30,000,000 by creation of additional 2,961,000,000 shares. [On [●], the Company issued and allotted [●] of new shares to Hexis.]

- (3) In addition to Note (2) mentioned above, the Group carried out and completed the Reorganisation steps as described in Note 1(a) in section II in preparing for the [●].
- (4) [The [●] Share Option Scheme was approved by the resolution of the Shareholders on [date]. Pursuant to the [●] Share Option Scheme, Liwei Holdings Limited were granted the [●] Share Options to subscribe for up to [●] shares of the Company.]
- (5) [On 10 November 2010 and [●], Greatview Holdings has separately signed two loan agreements with a foreign bank for total loan amounts of approximately RMB[373] million. The amounts were drawn down before the [●].]
- (6) On [●], the Group completed the Reorganisation in preparing for the [●].

APPENDIX I ACCOUNTANT’S REPORT

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2010. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to 30 June 2010 except as disclosed in the Financial Information.

Yours faithfully,

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

APPENDIX IV PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 September 2010 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

[[●] 2010]

The Board of Directors
Greatview Aseptic Packaging Company Limited
Circket Square, Hutchins Drive
PO Box 2681, Grand Cayman, KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which Greatview Aseptic Packaging Company Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2010 (the “date of valuation”).

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available. The property interests in Group I have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

APPENDIX IV PROPERTY VALUATION

We have attributed no commercial value to the property interests in Group II, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in [●] and [●] of the [●]; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, construction permits and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal advisers, Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

APPENDIX IV PROPERTY VALUATION

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years’ experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and relevant valuation experience in the Asia-Pacific region.

APPENDIX IV PROPERTY VALUATION

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 30 September 2010 RMB
1. A parcel of land, 6 buildings and various structures No. 26 Guandao Street Gaotang County Liaocheng City Shandong Province The PRC	35,911,000
2. A parcel of land, [8] buildings and various structures located at the northern side of Shengle North 4th Road Shengle Economy Park Helingeer County Huhhot City Inner Mongolia Autonomous Region The PRC	43,711,000
Sub-total:	<u>[79,622,000]</u>

Group II — Property interests leased and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 30 September 2010 RMB
3. Various office units on Level 2, Entrance 4 of Block A1 Zhaowei Huadeng Plaza No.14 Jiuxianqiao Road Chaoyang District Beijing The PRC	No commercial value
4. Various buildings No. 101 Liqiao East Road Liqiao Town Shunyi District Beijing The PRC	No commercial value

APPENDIX IV PROPERTY VALUATION

No. Property	Capital value in existing state as at 30 September 2010 RMB
5. 3 buildings No. 9, Lane 6889, Zhongcun Road Area 2, Qibao Economy City Qibao Town Minhang District Shanghai The PRC	No commercial value
	Sub-total: <u><u>Nil</u></u>
	Grand total: <u><u>[79,622,000]</u></u>

APPENDIX IV PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 <i>RMB</i>
1.	A parcel of land, 6 buildings and various structures No. 26 Guandao Street Gaotang County Liaocheng City Shandong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 51,744.6 sq.m. and 6 buildings and various ancillary structures erected thereon which were completed between 2003 and 2010.</p> <p>The buildings have a total gross floor area of approximately 23,382.41 sq.m.</p> <p>The buildings mainly include an industrial building, an office & industrial building and warehouses.</p> <p>The structures mainly include roads and boundary fences.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 31 August 2056 for industrial use.</p>	<p>The property is currently occupied by the Group for production purpose.</p>	[35,911,000]

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 11 August 2006 entered into between the State-owned Land Resources Bureau of Gaotang County, Shandong Province and Shandong Tralin Packaging Company Limited (“Shandong Tralin Packaging”, a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Shandong Tralin Packaging for a term of 50 years for industrial use. The land premium was RMB1,505,767.86.

The property is currently held and occupied by Shandong Tralin Packaging.

2. Pursuant to a State-owned Land Use Rights Certificate - Gao Guo Yong (2006) Di No. 0000020, the land use rights of the property with a site area of approximately 51,744.6 sq.m. have been granted to Shandong Tralin Packaging for a term expiring on 31 August 2056 for industrial use.
3. Pursuant to 2 Building Ownership Certificates - Gao Fang Quan Zheng Gong Zi Di Nos. 0289 and 0444, 4 buildings of the property with a total gross floor area of approximately 13,287.13 sq.m. are owned by Shandong Tralin Packaging.
4. Pursuant to a Construction Work Planning Permit - No. 2008-08-045 in favour of Shandong Tralin Packaging, a building with a planned gross floor area of approximately 10,000 sq.m. has been approved for construction.

APPENDIX IV PROPERTY VALUATION

5. Pursuant to a Construction Work Commencement Permit - Gao Jian Shi Zi (2008) No. 20 in favour of Shandong Tralin Packaging, permission by the relevant local authority was given to commence the construction work of the building mentioned in note 4.
6. As at the date of valuation, the building mentioned in notes 4 and 5 had been completed.
7. For the remaining one building with a gross floor area of approximately 95.28 sq.m., the Group has not obtained any title certificate.
8. As advised by the Group, it is currently applying for the building ownership certificates for the buildings mentioned in notes 4 to 7.
9. Pursuant to 2 Real Estate Mortgage Contracts both dated 30 March 2009, the buildings with title certificates mentioned in note 3 and the land use rights of the property are subject to mortgages in favor of Industrial and Commercial Bank of China Limited Gaotang Sub-branch (the “Mortgagee”) for terms of 60 months expiring on 29 March 2014.
10. In the valuation of this property, we have attributed no commercial value to the buildings mentioned in notes 4 to 7 together with a total gross floor area of approximately 10,095.28 sq.m. due to the lack of building ownership certificates. However, for reference purpose, we are of the opinion that the capital values of these buildings (excluding the land) as at the date of valuation would be RMB[23,922,000] assuming all relevant title certificates had been obtained and the buildings could be freely transferred.
11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shandong Tralin Packaging has legally obtained the title certificate of the state-owned land use rights of the property and has the rights to occupy and use the land during the term stipulated in relevant land use rights certificate;
 - b. Shandong Tralin Packaging has legally obtained the title certificate of the buildings mentioned in note 3 and has the rights to occupy and use the buildings during the term stipulated in relevant land use rights certificate and building ownership certificates;
 - c. The land use rights of the property and the buildings with title certificates mentioned in note 3 are subject to mortgages and Shandong Tralin Packaging could not freely transfer, lease, mortgage or otherwise dispose of them and any construction work on the land before obtaining the consent from the Mortgagee; and
 - d. Shandong Tralin Packaging has obtained all requisite construction permits of the buildings mentioned in notes 4 to 7 and there would be no significant legal impediment for Shandong Tralin Packaging to obtain the title registration of the building after passing the completion & acceptance inspection and paying off relevant fees and taxes.
12. We have disregarded the mortgage above when arriving at our opinion of the capital value of this property.

APPENDIX IV PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 <i>RMB</i>
2.	A parcel of land, 8 buildings and various structures located at the northern side of Shengle North 4th Road Shengle Economy Park Helingeer County Huhhot City Inner Mongolia Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,667 sq.m. and 8 buildings and various ancillary structures erected thereon which were completed in 2010.</p> <p>The buildings have a total gross floor area of approximately [19,109] sq.m.</p> <p>The buildings include 2 industrial buildings, an office building, 2 guard room, a pump room, a toll-room, a steam room.</p> <p>The structures mainly include [roads boundary fences, well and sheds.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 1 September 2059 for industrial use.</p>	The property is currently occupied by the Group for production purpose.	[43,711,000]

Notes:

1. Pursuant to a Land Transfer Contract dated 8 September 2009 entered into between Shengle Economy Park Shengfa Infrastructure Development Company Limited of Huhhot (呼和浩特市盛樂經濟園區盛發基礎設施開發有限公司) and Tralin Packaging (Inner Mongolia) Company Limited (“Inner Mongolia Tralin Packaging”), a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be transferred to Inner Mongolia Tralin Packaging for a term expiring 1 September 2059 for industrial use.

The property is currently held and occupied by Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd., the current name of Inner Mongolia Tralin Packaging changed on 31 August 2010.

2. Pursuant to a State-owned Land Use Rights Certificate - He Lin Ge Er Guo Yong (2009) Zi Di No. 0003198, the land use rights of a parcel of land with a site area of approximately [66,667] sq.m. have been granted to Inner Mongolia Tralin Packaging for a term expiring on 1 September 2059 for industrial use.
3. Pursuant to a Building Ownership Certificate - Fang Quan Zheng Meng Zi Di No. 183011001891, a building of the property with a gross floor area of approximately 16,239 sq.m. is owned by Inner Mongolia Tralin Packaging.
4. Pursuant to a Construction Work Planning Permit - No. 150123200900084 in favour of Inner Mongolia Tralin Packaging, various buildings with a total planned gross floor area of approximately 19,276.7 sq.m. have been approved for construction on the land of the property.
5. Pursuant to a Construction Work Commencement Permit - No. 150123200904200202QX in favour of Inner Mongolia Tralin Packaging, permission by the relevant local authority was given to commence the construction work of various buildings with a total planned gross floor area of approximately 19,000 sq.m. on the land of the property.
6. As at the date of valuation, all buildings mentioned in notes 4 and 5 had been completed.

APPENDIX IV PROPERTY VALUATION

7. For the remaining [7] buildings with a total gross floor area of approximately [2,870] sq.m., the Group has not obtained any title certificates.
8. As advised by the Group, it is currently applying for the building ownership certificates for the buildings mentioned in note 7.
9. In the valuation of this property, we have attributed no commercial value to the buildings mentioned in note 7 with a total gross floor area of approximately [2,870] sq.m. due to the lack of building ownership certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the date of valuation would be RMB[9,449,000] assuming all relevant title certificates had been obtained and the buildings could be freely transferred.
10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Inner Mongolia Tralin Packaging has legally obtained the title certificate of the state-owned land use rights of the property and has the rights to occupy , use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights during the term stipulated in relevant land use rights certificate;
 - b. Inner Mongolia Tralin Packaging has legally obtained the title certificate of the building mentioned in note 3 and has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the building during the term stipulated in relevant land use rights certificate and building ownership certificate;
 - c. Inner Mongolia Tralin Packaging has obtained all requisite construction permits of the buildings mentioned in notes 4 and 5 and there would be no significant legal impediment for Greatview Aseptic Packaging to obtain the title registration of the remaining buildings (refer to note 7) after passing the completion & acceptance inspection and paying off relevant fees and taxes; and
 - d. The Group is applying for changing the registered name on relevant title certificates and construction permits to Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd., which can legally own the rights under the aforesaid certificates and permits. There is no material legal impediment for finishing this procedure.

APPENDIX IV PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 <i>RMB</i>
3.	Various office units on Level 2 Entrance 4 of Block A1 Zhaowei Huadeng Plaza No.14 Jiuxianqiao Road Chaoyang District Beijing The PRC	<p>The property comprises various office units on Level 2 of a 3-storey office building completed in about 1950.</p> <p>The property has a total gross floor area of approximately 1,376 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased to Beijing Greatview from [Beijing Zhaodong Property Management Co., Ltd. (the “Lessor”), an independent third party, for a term expiring on 30 May 2014 the annual rent of RMB1,309,404 from 1 March 2010 to 31 July 2010, RMB1,422,000 from 1 August 2010 to 31 July 2011 and RMB1,620,000 from 1 August 2011 to 30 May 2014, inclusive of management fees and exclusive of heating and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Greatview Tralin Trading Company Limited (“Beijing Greatview”) is a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is owned by [Beijing Zhaowei Electronics (Group) Co., Ltd.](the “property owner”) and the Lessor was authorized by the property owner to manage and lease the property;
 - b. The Tenancy Agreement is legal and valid and Beijing Greatview can legally use this property in accordance with the Tenancy Agreement; and
 - c. The Tenancy Agreement has not been registered with relevant authority, which has no impact on the validity of the Tenancy Agreement. However, the Tenancy Agreement would not be effective against challenges from any bona fide third party.

APPENDIX IV PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 <i>RMB</i>
4.	Various buildings located at No.101 Liqiao East Road Liqiao Town Shunyi District Beijing The PRC	<p>The property comprises a single-storey industrial building, a single-storey warehouse and various bungalows completed between 1997 and 2005.</p> <p>The property has a total lettable area of approximately 6,850 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased to Shandong Tralin Packaging from [Beijing Shenyao Energy Saving Oven Co., Ltd.] (the “Lessor”), an independent party, for a term of 10 years expiring on 14 October 2017 at an annual rent of RMB500,000, exclusive of management fees, water and electricity charges. The rent will be adjusted at three-year intervals and the increase rate of each adjustment will not exceed 15%.</p>	The property is currently occupied by the Group for production and residential purpose.	No commercial value

Notes:

1. Shandong Tralin Packaging Company Limited (“Shandong Tralin Packaging”) is a wholly owned subsidiary of the Company.
2. Pursuant to an Agreement dated 10 January 2008 entered into between Shandong Tralin Packaging and Beijing Tralin Packaging Machinery Co., Ltd. (“Beijing Tralin”, a wholly owned subsidiary of Shandong Tralin Packaging), Shandong Tralin Packaging leased the property for the use of Beijing Tralin.
3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Lessor has not provided the Group with valid building ownership certificate of this property;
 - b. The validity of the Tenancy Agreement is uncertain and Beijing Tralin may not use the leased property normally; and
 - c. The Tenancy Agreement has not been registered with relevant authority and would not be effective against challenges from any bona fide third party.

APPENDIX IV PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 <i>RMB</i>
5.	3 buildings No. 9, Lane 6889 Zhongcun Road Area 2, Qibao Economy City Qibao Town Minhang District Shanghai The PRC	<p>The property comprises a two-storey office building, a single-storey industrial building and a single-storey ancillary building which were completed in about 2000.</p> <p>The property has a total lettable area of approximately 744 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased to Shandong Tralin Packaging Shanghai Office from Shanghai Qibao Economy Development Co., Ltd. (the “Lessor”), an independent party, for a term of one year expiring on 15 April 2011 at a quarterly rent of RMB50,917, exclusive of management fees and sanitation service charges.</p>	The property is currently occupied by the Group for production and office purpose.	No commercial value

Notes:

1. Shandong Tralin Packaging Company Limited (“Shandong Tralin Packaging”) is a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Lessor has not provided the Group with valid building ownership certificate of this property;
 - b. The validity of the Tenancy Agreement is uncertain and Shandong Tralin Packaging may not use the leased property normally; and
 - c. The Tenancy Agreement has not been registered with relevant authority and would not be effective against challenges from any bona fide third party.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 July, 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 15 November 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any [●] (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

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The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any [●] (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

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(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an [●] of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the [●];
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

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Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

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The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

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(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

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- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the [●] (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

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Where the Company has any knowledge that any shareholder is, under the rules of the [●] (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any [●] (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company’s affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors’ report and a copy of the auditors’ report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the [●] (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company’s annual accounts and the directors’ report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

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The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the [●], it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

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- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the [●] (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

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The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any [●] (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any [●] (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any [●] (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the [●] (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

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The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the [●] (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the [●] (as defined in the Articles), has elapsed since the date of such advertisement and the [●] (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 17 August 2010.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company’s Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members’ voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company’s affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator’s duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company’s liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company’s articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 July 2010. Our Company has established a place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong and was registered in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 10 September 2010. Mr Zhu Jia, our non-executive Directors was appointed as the agent of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong at the above address.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum of Association and the Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of the Companies Law are set out in Appendix V to this document.

Changes in share capital of our Group

Our Company

Our Company was incorporated with an authorised capital of HK\$390,000 divided into 39,000,000 Shares of par value HK\$0.01 each. The following changes in the share capital of our Company have taken place since the date of incorporation:

- (a) On 29 July 2010, one Share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber, which was subsequently transferred by Codan Trust Company (Cayman) Limited to Hexis on the same date.
- (b) On 15 November 2010, the authorised share capital of our Company was increased from HK\$390,000 to HK\$[●] by the creation of an additional [●] Shares.
- (c) [On 22 November] 2010, pursuant to the Reorganisation, our Company issued and allotted [●] Shares credited as fully paid to Hexis, and Hexis distributed all its Shares to Bain Capital, CDH Packaging and Wiseland, its shareholders. Wiseland then repurchased from each of Phanron, Goldmap, Hillma, Parview, Schwartz and Wallson their respective shares in Wiseland, in exchange for their proportionate share of Hexis Ordinary Shares and the Shares held by Wiseland.

Assuming that [●] becomes unconditional and [●] are issued, our issued share capital upon completion of [●] will be HK\$[●] divided into [●] Shares of HK\$0.01 each (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the options granted under the Pre-[●] Share Option Scheme and may be granted under the Share Option Scheme).

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Save for the aforementioned and as disclosed in this document, there has been no alteration in the share capital of our Company since its incorporation.

Our subsidiaries

Further information of our subsidiaries are contained in the Accountant’s Report set out in Appendix I to this document.

The following alterations in the share capital or the registered capital of our subsidiaries took place within the two years immediately preceding the date of this document:

(a) Partner One

Partner One was incorporated in the BVI on 23 July 2010 with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 11 November 2010, our Company applied US\$10 million, being the interest-free loan due from Partner One to it, to subscribe for 1 ordinary share of US\$1.00 in Partner One.

(b) Greatview Holdings Limited

Greatview was incorporated in Hong Kong as a limited liability company on 8 November 2004 with an authorised capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each. On 11 November 2010, Partner One applied US\$10 million, being interest-free loan due from Greatview to it, to subscribe for 9,999 new ordinary shares of HK\$1.00 in Greatview.

(c) Shandong Tralin Packaging Co., Ltd

Shandong Tralin Packaging was incorporated as a limited liability company by Tralin Paper and two individuals on 28 December 2001 and changed into a wholly foreign-owned enterprise by Greatview on 18 January 2005 in Shandong, the PRC, with a registered capital of US\$40 million. Shandong Tralin Packaging established Shandong Tralin Packaging, Beijing Branch in the PRC on 24 July 2003.

(d) Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd.

Inner Mongolia Greatview Aseptic Packaging was incorporated as a wholly foreign-owned enterprise on 24 October 2008 in Inner Mongolia, the PRC, with a registered capital of US\$20 million.

(e) Beijing Greatview Tralin Trading Company Limited

Beijing Greatview was incorporated as a wholly foreign-owned enterprise by Greatview on 18 March 2010 in Beijing, the PRC, with a registered capital of US\$750,000.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(f) Tralin Pak Europe GmbH

Tralin Pak Europe was incorporated in Switzerland on 27 April 2009 with limited liability with an authorised capital of CHF50,000 divided into 500 shares of CHF100.00 each.

(g) Beijing Tralin Packaging Machinery Co., Ltd.

Beijing Tralin was incorporated as a wholly foreign-owned enterprise by Shandong Tralin Packaging on 21 December 2007 in Beijing, the PRC, with a registered capital of RMB10 million.

Save as aforesaid, there has been no alteration in the share capital or the registered capital of our subsidiaries within two years immediately preceding the date of this document.

Particulars of our PRC subsidiaries

We have direct interests in four PRC subsidiaries. A summary of the corporate information of such companies is set out as follows:

(a) Shandong Tralin Packaging

Date of Establishment:	28 December 2001
Place of Establishment:	Shandong, the PRC
Nature:	Wholly foreign-owned enterprise
Scope of Business:	Manufacturing, printing and sale of aseptic packaging for liquid food; assembly and sale of filling machines
Legal Representative:	Mr Hong
Registered Capital:	US\$40,000,000
Total Investment	US\$59,600,000
Sole Shareholder:	Greatview Holdings Limited
Duration of Operation:	18 January 2005 to 17 January 2055

(b) Inner Mongolia Greatview Aseptic Packaging

Date of Establishment:	24 October 2008
Place of Establishment:	Inner Mongolia, the PRC
Nature:	Wholly foreign-owned enterprise
Scope of Business:	Manufacturing, printing and sale of aseptic packaging for liquid food

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Legal Representative:	Mr Hong
Registered Capital:	US\$20,000,000
Total Investment	US\$50,000,000
Sole Shareholder:	Greatview Holdings Limited
Duration of Operation:	24 October 2008 to 24 February 2011
(c) Beijing Greatview	
Date of Establishment:	18 March 2010
Place of Establishment:	Beijing, the PRC
Nature:	Wholly foreign-owned enterprise
Scope of Business:	Wholesale of paper packaging for liquid food, polymer, aluminium foil, LPB and machinery, import and export, technology development and technical services
Legal Representative:	Mr Hong
Registered Capital:	US\$750,000
Total Investment	US\$750,000
Sole Shareholder:	Greatview Holdings Limited
Duration of Operation:	18 March 2010 to 17 March 2040
(d) Beijing Tralin	
Date of Establishment:	21 December 2007
Place of Establishment:	Beijing, the PRC
Nature:	Wholly foreign-owned enterprise
Scope of Business:	Processing and sale of filling machines and paper products, service consultation, technical service, transfer and development of technology, leasing of packaging machines and equipment
Legal Representative:	Mr Hong
Registered Capital:	RMB10,000,000
Sole Shareholder:	Shandong Tralin Packaging Co., Ltd.
Duration of Operation	21 December 2007 to 20 December 2057

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[●]

The Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our corporate structure in preparation for [●], and as a result of which our Company became the holding company of our Group. A diagram showing our corporate structure after the Reorganisation (but immediately before [●]) is set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this document.

In preparation for [●], on 15 November 2010, the authorised share capital of our Company was increased from HK\$390,000 to HK\$[●] by the creation of an additional [●] Shares.

As at 11 November 2010, our Group owes US\$60 million interest-free loan to Hexis. On 11 November 2010, Partner One applied US\$10 million interest-free loan owed by Greatview to it to subscribe for 9,999 ordinary shares of HK\$1.00 each in the share capital of Greatview. On 11 November 2010, our Company applied US\$10 million interest-free loan owed by Partner One to it to subscribe for 1 ordinary share of US\$1.00 in the share capital of Partner One.

[On 19 November] 2010, each of Mr Berggren, Mr Chang, Mr Chen, Mr Gao (the brother of Mr Bi), Mr Hong and Mr Yang transferred their respective 4%, 4%, 4%, 29.4%, 29.4% and 4% interest in Wiseland to Schwartz, Goldmap, Hillma, Foxing, Phanron and Wallson respectively, being companies wholly owned by each of them. On the same date, Mr Bi, as trustee holding on trust for the senior management of Shandong Tralin Packaging, transferred 4.0% interest in Wiseland to Parview and 20.8% interest in Wiseland to Fosing, as directed by Mr Gao and Mr Hong. Each of Mr Gao and Mr Hong settled a further 0.2% interest in Wiseland respectively to Fosing. As a condition for such transfer of Shares in Wiseland, the then beneficial shareholders of Wiseland agreed to assume, on a pro rata basis, all liabilities of the borrowers of the Wiseland Loan.

[On 19 November] 2010, the SM Trustee entered into two deeds of trust relating to the SM Trust, resulting in the creation of the SM Trust, and the SM Trustee was appointed as the trustee of the SM Trust. The SM Trust are discretionary trusts managed by the SM Trustee for the benefit of members of our senior management. On the same date, Mr. Gao (through Foxing) and Mr. Hong (through Phanron) funded the SM Trust by each settling 50% of the issued share capital of each of Parview and Fosing into the SM Trust.

[On 19 November] 2010, Mr Gao entered into a deed of trust with the B&G Trustee, resulting in the creation of the B&G Family Trust, and the B&G Trustee was appointed as the trustee of the B&G Family Trust. The B&G Family Trust is a discretionary trust managed by the B&G Trustee for the benefit of Mr Gao and his relatives. On the same date, Mr Gao settled the entire issued share capital of Foxing owned by him into the B&G Family Trust.

[On 19 November] 2010, Greatview entered into an agreement with DBS Bank Ltd., Hong Kong Branch for a term loan facility of US\$50 million, secured by an account charge given by each of Hexis and Greatview and a guarantee given by Hexis. The purpose of this loan is to repay the interest-free loan of US\$50 million due from our Group to Hexis. Prior to the [●], our Company will also enter into

APPENDIX VI STATUTORY AND GENERAL INFORMATION

a guarantee for the above loan in favour of DBS Bank Ltd., Hong Kong Branch, to replace the guarantee and account charge given by Hexis, and subject to the [●] taking place and fulfillment of customary non-default conditions, the account charge and guarantee of Hexis will be released by the [●]. The term of the loan is for 3 months, but early prepayment is required when the [●] takes place. The interest rate for the loan is at 150 basis points above the London Interbank Offer Rate for 1-3 months period as selected by our Company.

Our Group then used the above loan proceeds to repay the interest-free loan of US\$50 million due to Hexis, on [22 November] 2010.

After [●] and repayment of the aforesaid loan from DBS Bank Ltd., Hong Kong Branch, it is anticipated that Hexis will distribute the US\$50 million received from our Group to the shareholders of Hexis, including Wiseland, which will then be distribute such funds to the shareholders of Wiseland and the Wiseland Loan will be repaid in full (principal and interest) by them.

Pursuant to the Reorganisation, on [22 November] 2010, our Company, through Partner One, acquired from Hexis one share of Greatview. In consideration for the aforesaid acquisition and application of the remaining US\$ 10 million interest-free loan then due from our Company to Hexis to subscribe for new Shares, our Company issued and allotted a total of 1,099,999,999 new Shares to Hexis, and Hexis distributed all its Shares to the then shareholders of Hexis. Wiseland then repurchased from each of Parview, Phanron, Schwartz, Goldmap, Hillma and Wallson their respective shares in Wiseland, in exchange for their proportionate share of Hexis Ordinary Shares and the Shares held by Wiseland.

On 15 November 2010, our Company adopted the Pre-[●] Share Option Scheme. On [22 November], our Company granted 22,000,000 options to Liwei. If the options are exercised in full, our Company will issue an additional 22,000,000 Shares, representing approximately 1.5% of the issued share capital of our Company at [●]. For details of the Pre-[●] Share Option Scheme, please refer to the section headed “Pre-[●] Share Option Scheme” below.

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On completion of the Reorganisation but immediately prior to the completion of the [●], assuming that the options granted under the Pre-[●] Share Option Scheme are not exercised, our Company will have in issue a total of [●] Shares, which is owned as follows:

Name of shareholder	Number of Shares	Approximate percentage interest in our Company (%)
Bain Capital	[●]	[●]%
CDH Packaging	[●]	[●]%
Wiseland	[●]	[●]%
Parview	[●]	[●]%
Phanron	[●]	[●]%
Schwartz	[●]	[●]%
Goldmap	[●]	[●]%
Hillma	[●]	[●]%
Wallson	[●]	[●]%
Total	[●]	100.0%

On completion of the [●] (assuming that all options granted under the Pre-[●] Share Option Scheme and may be granted under the Share Option Scheme are not exercised), our Company will have in issue a total of [●] Shares, which will be owned as follows:

Name of shareholder	Number of Shares	Approximate percentage interest in our Company (%)
Bain Capital	[●]	[●]%
CDH Packaging	[●]	[●]%
Wiseland	[●]	[●]%
Parview	[●]	[●]%
Phanron	[●]	[●]%
Schwartz	[●]	[●]%
Goldmap	[●]	[●]%
Hillma	[●]	[●]%
Wallson	[●]	[●]%
[●]	[●]	[●]%
Total	[●]	100.0%

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Repurchase of Shares by our Company

(A) Relevant legal and regulatory requirements in Hong Kong

(i) *Shareholder’s approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction. Pursuant to a resolution passed by our Shareholder on 15 November 2010, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to our Board authorising any repurchase by our Company of Shares on [●] or on [●] and which is recognised by [●] for this purpose, of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the [●] (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the options granted and that may be granted under the Pre-[●] Share Option Scheme and the Share Option Scheme).

(ii) *Source of funds*

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. [●] may not repurchase its own securities on [●] for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of [●]. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company or out of proceeds of an issue of new Shares made for the purpose of the repurchase, or if authorised by the Articles of Association, out of capital.

(iii) *Trading restrictions*

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of [●] (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the options granted and that may be granted under the Pre-[●] Share Option Scheme and the Share Option Scheme). Without the prior approval of [●], our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares. Moreover, subject to the then prevailing requirements of [●] from time to time, repurchases of Shares on [●] in any calendar month are limited to a maximum of 25% of the trading volume of Shares on [●] in the immediately preceding calendar month. Our Company is also prohibited from repurchasing Shares on [●] if the repurchase would result in [●]. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to [●] such information with respect to the repurchase as [●] may require.

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(iv) Status of repurchased Shares

All repurchased Shares (whether effected on [●] or otherwise) will be automatically cancelled and the certificates for those Shares must be cancelled and destroyed. Under Companies Law, a company’s repurchased shares shall be treated as cancelled and the amount of the company’s issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the Company will not be reduced.

(v) Suspension of repurchase

Pursuant to [●], our Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the [●] in force as of the date of this document, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to [●] in accordance with [●]) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under [●]); and
- (ii) [●]

(vi) Procedural and reporting requirements

As required by [●], repurchases of Shares on [●] or otherwise must be reported to [●] not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on [●] business day following any day on which our Company may make a purchase of Shares. The report must state the total number of the Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. Moreover, our Company’s annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of the Shares repurchased, [●].

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(B) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Board to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(C) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, [●] and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this document and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of [●] Shares in issue immediately after [●], could accordingly result in [●] Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by Companies Law or the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the purchase mandate by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first.

(D) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to [●] that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with [●] and the applicable laws and regulations of the Cayman Islands.

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If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as [●].

[●]

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the Trademark Licensing Agreement dated 18 July 2010 entered into between Tralin Paper and Shandong Tralin Packaging in relation to the granting of license to use the PRC Trademarks;
- (b) the trademark sub-licensing agreement dated 18 July 2010 entered into between Shandong Tralin Packaging and Inner Mongolia Greatview Aseptic Packaging in relation to the granting of sub-license to use the PRC Trademarks;
- (c) the trademark sub-licensing agreement dated 18 July 2010 entered into between Shandong Tralin Packaging and Beijing Tralin in relation to the granting of sub-license to use the PRC Trademarks;
- (d) the trademark sub-licensing agreement dated 18 July 2010 entered into between Shandong Tralin Packaging and Beijing Greatview in relation to the granting of sub-license to use the PRC Trademarks;
- (e) the trademark sub-licensing agreement dated 18 July 2010 entered into between Shandong Tralin Packaging and Tralin Pak Europe in relation to the granting of sub-license to use the PRC Trademarks;
- (f) the trademark sub-licensing agreement dated 29 July 2010 entered into between Shandong Tralin Packaging and the Company in relation to the granting of sub-license to use the PRC Trademarks;
- (g) a deed of non-competition dated 19 November 2010 executed by our Controlling Shareholder in favour of our Company, particulars of which are set out in the section headed “Relationship with Controlling Shareholder” in this document;
- (h) a deed of indemnity dated 19 November 2010 executed by our Controlling Shareholder (the “Indemnifier”) and our Company, pursuant to which the Indemnifier agreed to give certain indemnities in respect of tax and estate duty matters in favour of our Group;

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- (i) [●]
- (j) [●]
- (k) [the sale and purchase agreement in relation to Greatview dated 22 November 2010 entered into among the Company, Partner One and Hexis relating to the transfer of one share in Greatview and the issue and allotment of 110,000 Shares to Hexis;] and
- (l) [●]

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Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, we have made applications for the registration of the following trademarks:

Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
	Shandong Tralin Packaging	Hong Kong	9 September 2010	7	301711412
	Shandong Tralin Packaging	Hong Kong	9 September 2010	16	301711412
	Shandong Tralin Packaging	Hong Kong	9 September 2010	20	301711412
	Shandong Tralin Packaging	Hong Kong	9 September 2010	7	301711368
	Shandong Tralin Packaging	Hong Kong	9 September 2010	16	301711368
	Shandong Tralin Packaging	Hong Kong	9 September 2010	20	301711368
	Shandong Tralin Packaging	Hong Kong	9 September 2010	7	301711377
	Shandong Tralin Packaging	Hong Kong	9 September 2010	16	301711377
	Shandong Tralin Packaging	Hong Kong	9 September 2010	20	301711377

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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
	Shandong Tralin Packaging	Hong Kong	9 September 2010	7	301711430
	Shandong Tralin Packaging	Hong Kong	9 September 2010	16	301711430
	Shandong Tralin Packaging	Hong Kong	9 September 2010	7	301711449
	Shandong Tralin Packaging	Hong Kong	9 September 2010	16	301711449
	Shandong Tralin Packaging	Hong Kong	9 September 2010	7	301711467
	Shandong Tralin Packaging	Hong Kong	9 September 2010	16	301711467
	Shandong Tralin Packaging	PRC	17 March 2010	7	8125764
	Shandong Tralin Packaging	PRC	17 March 2010	16	8125765
	Shandong Tralin Packaging	PRC	17 March 2010	7	8125766
	Shandong Tralin Packaging	PRC	17 March 2010	16	8125767
	Shandong Tralin Packaging	PRC	17 March 2010	7	8125770

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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
	Shandong Tralin Packaging	PRC	17 March 2010	16	8125771
	Shandong Tralin Packaging	PRC	17 March 2010	7	8125768
	Shandong Tralin Packaging	PRC	17 March 2010	16	8125769
	Shandong Tralin Packaging	PRC	23 June 2010	7	8413127
	Shandong Tralin Packaging	PRC	23 June 2010	16	8413123
	Shandong Tralin Packaging	PRC	23 June 2010	7	8413129
	Shandong Tralin Packaging	PRC	23 June 2010	16	8413121
	Shandong Tralin Packaging	PRC	23 June 2010	7	8413836
	Shandong Tralin Packaging	PRC	23 June 2010	16	8413126
	Shandong Tralin Packaging	PRC	23 June 2010	7	8413837
	Shandong Tralin Packaging	PRC	23 June 2010	16	8413125

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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
纷美无菌包	Shandong Tralin Packaging	PRC	23 June 2010	7	8413838
纷美无菌包	Shandong Tralin Packaging	PRC	23 June 2010	16	8413124
纷美无菌枕	Shandong Tralin Packaging	PRC	23 June 2010	7	8413128
纷美无菌枕	Shandong Tralin Packaging	PRC	23 June 2010	16	8413122
纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	20	8526230
纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	29	8526265
纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	32	8526228
纷美	Shandong Tralin Packaging	PRC	30 July 2010	20	8526267
纷美	Shandong Tralin Packaging	PRC	30 July 2010	29	8526231
纷美	Shandong Tralin Packaging	PRC	30 July 2010	32	8526229
纷美 无菌砖	Shandong Tralin Packaging	PRC	30 July 2010	20	8526264












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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
纷美 无菌包	Shandong Tralin Packaging	PRC	30 July 2010	20	8526227
纷美 无菌枕	Shandong Tralin Packaging	PRC	30 July 2010	20	8526226
纷美 无菌灌装机	Shandong Tralin Packaging	PRC	30 July 2010	7	8526262
纷美 灌装机	Shandong Tralin Packaging	PRC	30 July 2010	7	8526261
	Shandong Tralin Packaging	PRC	30 July 2010	7	8526248
	Shandong Tralin Packaging	PRC	30 July 2010	16	8526249
	Shandong Tralin Packaging	PRC	30 July 2010	20	8526281
	Shandong Tralin Packaging	PRC	30 July 2010	29	8526282
	Shandong Tralin Packaging	PRC	30 July 2010	32	8526283
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	7	8526243
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	16	8526240

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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	20	8526274
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	29	8526237
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	32	8526238
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	7	8526242
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	16	8526241
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	20	8526273
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	29	8526239
 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	32	8526272
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	7	8526247
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	16	8526280
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	20	8526245

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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	29	8526278
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	32	8526275
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	7	8526246
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	16	8526279
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	20	8526277
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	29	8526244
 GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	32	8526276
 GAPACK 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	7	8526270
 GAPACK 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	16	8526235
 GAPACK 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	20	8526268
 GAPACK 纷美包装	Shandong Tralin Packaging	PRC	30 July 2010	29	8526269



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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
	Shandong Tralin Packaging	PRC	30 July 2010	32	8526266
	Shandong Tralin Packaging	PRC	30 July 2010	7	8526234
	Shandong Tralin Packaging	PRC	30 July 2010	16	8526271
	Shandong Tralin Packaging	PRC	30 July 2010	20	8526236
	Shandong Tralin Packaging	PRC	30 July 2010	29	8526232
	Shandong Tralin Packaging	PRC	30 July 2010	32	8526233
	Shandong Tralin Packaging	PRC	30 July 2010	7	8526263
	Shandong Tralin Packaging	PRC	30 July 2010	16	8526225
	Shandong Tralin Packaging	PRC	30 July 2010	20	8526224
	Shandong Tralin Packaging	PRC	30 July 2010	29	8526222
	Shandong Tralin Packaging	PRC	30 July 2010	32	8526223
	Shandong Tralin Packaging	PRC	30 July 2010	7	8526221







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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	16	8526220
GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	20	8526260
GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	29	8526219
GAPACK	Shandong Tralin Packaging	PRC	30 July 2010	32	8526218
GA Brick Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	7	8526258
GA Brick Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	16	8526259
GA Brick Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	20	8526256
GA Pilo Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	7	8526255
GA Pilo Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	16	8526253
GA Pilo Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	20	8526254
GA Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	7	8526251
GA Aseptic	Shandong Tralin Packaging	PRC	30 July 2010	16	8526250


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Trademarks	Applicant	Place of Registration	Date of Application	Class	Application Number
 Filling Machine	Shandong Tralin Packaging	PRC	30 July 2010	7	8526257
 Aseptic Filling Machine	Shandong Tralin Packaging	PRC	30 July 2010	7	8526252

As of the Latest Practicable Date, the following trademarks under application were licensed to Shandong Tralin Packaging and sub-licensed by it to each of our Company, Inner Mongolia Greatview Aseptic Packaging, Beijing Tralin, Beijing Greatview and Tralin Pak Europe:

Trademark	Applicant	Place of Application	Date of Application	Class	Application Number
	Tralin Paper	PRC	9 July 2003	16	3624578
	Tralin Paper	PRC	9 July 2003	16	3624579
	Tralin Paper	PRC	9 July 2003	16	3624580
	Tralin Paper	PRC	9 July 2003	16	3624581
	Tralin Paper	PRC	9 July 2003	16	3624582
	Tralin Paper	PRC	9 July 2003	16	3624583

As of the Latest Practicable Date, the following registered trademark was licensed to Shandong Tralin Packaging and sub-licensed by it to each of our Company, Inner Mongolia Greatview Aseptic Packaging, Beijing Tralin, Beijing Greatview and Tralin Pak Europe:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
	Tralin Paper	PRC	16	3481048	21 January 2005	20 January 2015

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Patents

As of the Latest Practicable Date, we have registered the following patents:

Patent	Registered Owner	Place of Registration	Patent Number	Date of Application	Date of Grant	Expiry Date
An automatic roll replacement device for packaging machine (一種用於包裝機的換卷裝置)	Shandong Tralin Packaging	PRC	ZL200820301694.2	1 August 2008	4 November 2009	1 August 2018
A cover of a packaging container (一種包裝容器的端蓋)	Shandong Tralin Packaging	PRC	ZL200720200175.2	22 March 2007	23 January 2008	22 March 2017
A liquid packaging machine (一種液體包裝機)	Shandong Tralin Packaging	PRC	ZL200620200783.9	20 September 2006	19 December 2007	20 September 2016
A clamping jaw displacing device for filling machine (一種用於灌裝機的夾爪軌跡變位裝置)	Shandong Tralin Packaging	PRC	ZL200720200379.6	18 May 2007	11 June 2008	18 May 2017
A filling tube for liquid packaging equipment (用於液體包裝設備的填充管)	Shandong Tralin Packaging	PRC	ZL200720200810.7	13 August 2007	12 November 2008	13 August 2017
A clamping jaw displacing device for filling machine (一種用於灌裝機的夾爪軌跡變位裝置)	Shandong Tralin Packaging	PRC	ZL200720200484.X	18 June 2007	29 October 2008	18 June 2017
A clamping jaw displacing device for filling machine (一種用於灌裝機的夾爪軌跡變位裝置)	Shandong Tralin Packaging	PRC	ZL200720200489.2	18 June 2007	15 October 2008	18 June 2017
A conveying device for filling machine (一種用於灌裝機排包的引導裝置)	Shandong Tralin Packaging	PRC	ZL200820300221.0	13 February 2008	10 December 2008	13 February 2018

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Patent	Registered Owner	Place of Registration	Patent Number	Date of Application	Date of Grant	Expiry Date
A steering device for brick package machine terminals (用於磚包機終端的磚包轉向排包裝置)	Shandong Tralin Packaging	PRC	ZL200720200937.9	30 August 2007	13 August 2008	30 August 2017
Filling tube for liquid packaging equipment (用於液體包裝設備的填充管)	Shandong Tralin Packaging	PRC	ZL200710201344.9	13 August 2007	17 February 2010	13 August 2027
A filling device for liquid packaging equipment (用於液體包裝設備的填充裝置)	Shandong Tralin Packaging	PRC	ZL200710201343.4	13 August 2007	17 February 2010	13 August 2027
A packaging material and its production process (一種包裝材料及其製造方法)	Shandong Tralin Packaging	PRC	ZL200610201211.7	5 December 2006	10 June 2009	5 December 2026
A filling tube for liquid packaging equipment (用於液體包裝設備的填充管)	Shandong Tralin Packaging	PRC	ZL200710201342.X	13 August 2007	12 August 2009	13 August 2027
A clamping jaw conveying chain for filling machine (一種用於灌裝機的鏈式夾爪輸送裝置)	Shandong Tralin Packaging	PRC	ZL200710201850.8	26 September 2007	12 August 2009	26 September 2027
Liquid packaging container and its production process (一種液體包裝包及其製造方法)	Shandong Tralin Packaging	PRC	ZL200610200852.0	8 September 2006	10 June 2009	8 September 2026
A composite paper end cap for tank container and its production process (複合紙制罐式容器端蓋及其製造方法)	Shandong Tralin Packaging	PRC	ZL200710200316.5	22 March 2007	25 November 2009	22 March 2027

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Patent	Registered Owner	Place of Registration	Patent Number	Date of Application	Date of Grant	Expiry Date
A conversion device for converting linear motion into rotary motion (一種直線運動到旋轉運動的轉換裝置)	Shandong Tralin Packaging	PRC	ZL20071020 2098.9	17 October 2007	9 December 2009	17 October 2027
A discharging device for brick package machine (用於磚包機的排包裝置)	Shandong Tralin Packaging	PRC	ZL20071020 1544.4	30 August 2007	25 November 2009	30 August 2027
A clamping jaw adjustment device for filling machines (一種用於灌裝機的夾爪軌跡調整機構)	Shandong Tralin Packaging	PRC	ZL20092030 7074.4	30 July 2009	19 May 2010	30 July 2019
Label 標貼	Shandong Tralin Packaging	PRC	ZL0331 2503.1	6 March 2003	24 September 2003	6 March 2013
A device for packaging machine to turn packaging material into elliptical shape (包裝機所用包裝材料的橢圓形成型裝置)	Shandong Tralin Packaging	PRC	ZL20042006 6248.X	25 June 2004	5 January 2005	25 June 2014
A device for packaging machine to form flexible fold lines in packaging material (包裝機所用包裝材料的柔性對折成型裝置)	Shandong Tralin Packaging	PRC	ZL20042000 0709.3	12 January 2004	30 March 2005	12 January 2014
A clamping jaw displacing device for filling machine (一種用於灌裝機的夾爪軌跡變位機構)	Shandong Tralin Packaging	PRC	ZL20092030 8457.3	20 August 2009	19 May 2010	20 August 2019

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Patent	Registered Owner	Place of Registration	Patent Number	Date of Application	Date of Grant	Expiry Date
A folding presser for filling machine (一種灌裝機折疊裝置的壓緊機構)	Shandong Tralin Packaging	PRC	ZL200920308441.2	20 August 2009	19 May 2010	20 August 2019
An adhesive for packaging material 一種包裝材料接頭	Shandong Tralin Packaging	PRC	ZL200920301145.X	9 March 2009	19 May 2010	9 March 2019
A container shaping device for filling machine (用於灌裝機的容器成型裝置)	Shandong Tralin Packaging	PRC	ZL200920308468.1	20 August 2009	16 June 2010	20 August 2019
A packaging container selecting device for filling machine (一種用於灌裝機的選擇包裝容器裝置)	Shandong Tralin Packaging	PRC	ZL200920309458.X	2 September 2009	16 June 2010	2 September 2019
A container shaping device for filling machine (一種用於灌裝機的容器成型裝置)	Shandong Tralin Packaging	PRC	ZL200920308459.2	20 August 2009	23 June 2010	20 August 2019
A discharging device for filling machine (一種灌裝機的排包裝置)	Shandong Tralin Packaging	PRC	ZL200810300487.X	7 March 2008	29 September 2010	7 March 2028
A clamping jaw heater for filling machine (一種用於灌裝機夾爪的加熱裝置)	Shandong Tralin Packaging	PRC	ZL200920306813.8	24 July 2009	3 November 2010	24 July 2019

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As of the Latest Practicable Date, we have made applications for the registration of the following patents:

Patents	Territory	Applicant	Application Number	Date of Application
A clamping jaw displacing device for filling machine 一種用於灌裝機的夾爪軌跡變位裝置	PRC	Shandong Tralin Packaging	20071020 0645.X	18 May 2007
A clamping jaw track adjustment device for filling machine (一種用於灌裝機的夾爪軌跡調整機構)	PRC	Shandong Tralin Packaging	20091030 2394.5	18 May 2009
A container shaping device for filling machine (一種用於灌裝機的容器成型裝置)	PRC	Shandong Tralin Packaging	20091030 5855.4	20 August 2009
A container shaping device for filling machine (用於灌裝機的容器成型裝置)	PRC	Shandong Tralin Packaging	20091030 5861.X	20 August 2009
A discharging device for filling machine (用於灌裝機的排包裝置)	PRC	Shandong Tralin Packaging	20101010 6324.5	5 February 2010
A discharging device for filling machine (用於灌裝機的排包裝置)	PRC	Shandong Tralin Packaging	20102010 9001.7	5 February 2010

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Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

Domain Name	Registrant	Registration Date	Expiry Date
tralinpak.mobi	Shandong Tralin Packaging, Beijing Branch	23 October 2006	23 October 2016
tralinpak.com.cn	Shandong Tralin Packaging, Beijing Branch	4 June 2003	4 June 2014
tralin-pak.com.cn	Shandong Tralin Packaging, Beijing Branch	4 June 2003	4 July 2013
泉林包裝.com	Shandong Tralin Packaging, Beijing Branch	22 May 2006	22 May 2011
泉林包裝.中國	Shandong Tralin Packaging, Beijing Branch	22 May 2006	22 May 2011
tralinpak.cn	Shandong Tralin Packaging, Beijing Branch	4 April 2005	4 April 2011
tralinpak.net	Shandong Tralin Packaging, Beijing Branch	4 April 2005	4 April 2011
tralinpak.net.cn	Shandong Tralin Packaging, Beijing Branch	4 April 2005	4 April 2011
tralinpak.com	Shandong Tralin Packaging	4 June 2003	4 June 2014
tralin-pak.com	Shandong Tralin Packaging, Beijing Branch	4 June 2003	4 June 2013
ga-pack.com	Shandong Tralin Packaging	19 July 2010	19 July 2011
紛美.com	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美.cn	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美.net	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美.網絡	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美.中國	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美.公司	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美包裝.com	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美包裝.cn	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美包裝.net	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美包裝.網絡	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美包裝.中國	Shandong Tralin Packaging	21 July 2010	21 July 2011
紛美包裝.公司	Shandong Tralin Packaging	21 July 2010	21 July 2011

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FURTHER INFORMATION ABOUT OUR DIRECTORS

Particulars of service contracts

Each of Mr Bi Hua, Jeff and Mr Hong Gang, being executive Directors, has entered into a service contract with our Company on 15 November 2010 for a term of two years commencing on [●] and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other. The aggregate fixed annual salary of each of the executive Directors is HK\$200,000 respectively (such annual salary is subject to annual review by our Board and the [●]) and a discretionary bonus as may be decided by our Board and [●] at their discretion, having regard to the performance of the relevant executive Director. Such executive Director shall abstain from voting, and not be counted in the quorum, in respect of any resolution of our Board approving the determination of the salary, bonus and other benefits payable to him. Mr Bi and Mr Hong are also currently remunerated by Shandong Tralin Packaging, being a member of our Group in their capacities as directors at salaries of approximately RMB2.9 million and RMB1.5 million respectively per annum. It is expected that they will continue to be similarly remunerated after [●], subject to adjustments to be determined by the board of Shandong Tralin Packaging.

Each of Mr Hildebrandt James Henry, Mr Zhu Jia and Mr Lee Lap, Danny, Mr Lew Kiang Hua, Ms Shang Xiaojun, being our non-executive Directors has entered into a letter of appointment with our Company on 15 November 2010. Each letter of appointment is for an initial term of two years commencing on [●] and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other. The non-executive Directors will not receive any remuneration from our Company.

Each of Mr Lueth Allen Warren and Mr Behrens Ernst Hermann, being our independent non-executive Directors, has entered into a letter of appointment with our Company on 15 November 2010. Mr Chen Weishu, our independent non-executive Director has entered into a letter of appointment with our Company on 19 November 2010. For Mr Lueth Allen Warren, the letter of appointment is for a term of one year commencing on [●] and unless terminated by not less than three months’ notice in writing. For Mr Behrens Ernst Hermann and Mr Chen Weishu, each letter of appointment is for a term of two years commencing on [●] and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other. The annual fee for Mr Lueth Allen Warren, Mr Behrens Ernst Hermann Ernst and Mr Chen Weishu is HK\$180,000 and a board meeting attendance fee at a rate of HK\$5,000 per board meeting capped at HK\$20,000 per annum. The appointments of our Directors are subject to the provisions of retirement and rotation under the Articles of Association.

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Directors’ remuneration during the Track Record Period

For the financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances, benefits in kind, discretionary bonuses) which were paid to our Directors by our Group was approximately RMB2.7 million, RMB2.4 million, RMB3.5 million and RMB1.7 million respectively. Details of our Directors’ remuneration are also set out in note 23 of the Accountant’s Report set out in Appendix I to this document.

Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to our Directors for the year ending 31 December 2010 is estimated to be approximately RMB4.0 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the financial years ended 31 December, 2007, 2008 and 2009 and the six months ended 30 June 2010 as an inducement to join or upon joining our Company or for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Agency fees or commissions received

Saved as disclosed in this document, none of our Directors or the persons named under “Consent of experts” in this appendix had received any commissions, discounts, brokerages or other special terms or agency fees from our Group in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

Related Party Transactions

We entered into certain related party transactions within the two years immediately preceding the date of this document. Please refer to note [30] of the Accountant’s Report set out in Appendix I to this document.

Disclaimers

Save as set out in this document:

- (a) none of our Directors or any of the persons whose names are listed in the section headed “Other Information — Consent of experts” in this appendix are directly or indirectly interested in the promotion of our Company or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors nor any of the persons whose names are listed in the section headed “Other Information — Consent of experts” in this appendix are materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

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- (c) none of our Directors have entered or have proposed to enter into any service contracts with us or any other member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (d) none of the persons whose names are listed in the section headed “Other Information — Consent of experts” in this appendix have any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of our Group or is an officer or servant or a partner or in the employment of an officer or servant of our Group.
- (e) none of our Directors, their respective associates (as defined under the [●]), or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

SHARE SCHEMES

Pre-[●] Share Option Scheme

The Pre-[●] Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Shareholder passed on 15 November 2010. The principal terms of the Pre-[●] Share Option Scheme are substantially similar to those of the Share Option Scheme. The following is a summary of material differences between the principal terms of the Pre-[●] Share Option Scheme and those of the Share Option Scheme:

1. Participants of the Pre-[●] Share Option Scheme and the basis of determining the eligibility of the participants

The Board may from time to time prior to the date of [●] grant options to (i) any executive director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest (“Invested Entity”); (ii) any non-executive director (including independent non-executive Directors) of our Company, any member of our Group or any Invested Entity; (iii) any supplier of goods or services of our Company, any member of our Group or any Invested Entity; (iv) any customer of our Company, any member of our Group or any Invested Entity; and (v) any person or entity that provides research, development or technical support to our Company, any member of our Group or any Invested Entity; and (vi) any trustee, or any company wholly-owned by any trustee, of a trust established for the benefit of any of the aforesaid persons (collectively “Pre-[●] Qualified Participants”).

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2. Life of the Pre-[●] Share Option Scheme

The Pre-[●] Share Option Scheme shall be valid and effective (the “Scheme Period”) from the date of its adoption (the “Adoption Date”) to the date on which the Conditions (defined below) are fulfilled, after which time no further option may be granted but the provisions of the Pre-[●] Share Option Scheme shall remain in full force and effect in all other respects.

3. Exercise price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “Exercise Price”) shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by the Board but in any event shall be at least the higher of:

- (i) the nominal value of the Shares.

4. Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Pre[●] Share Option Scheme shall represent [●]% of the total number of Shares in issue as at [●] (“Scheme Mandate”) which is expected to be [●] Shares (or such number of shares as shall result from a sub-division or consolidation of such [●] Shares from time to time).

5. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable, except where the Grantee is a trustee, or a company wholly-owned by a trustee, of a trust established for the benefit of the participants (including but not limited to Liwei), in which case with the prior approval of the Board, such Grantee shall transfer the options to the participants or nominate any participants in whose name(s) the Shares to be issued pursuant to exercise of options granted under the Pre[●] Share Option Scheme may be registered. Other than the aforesaid, no Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so.

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As at the date of the document, the following persons have been granted options by our Company under the Pre-[●] Share Option Scheme:

Name of grantee	Address	Relationship with our Group	Number of Shares subject to option	Approximate Percentage Shareholding held upon exercise of all options on [●] <i>(note)</i>
Liwei	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	a company owned by Mr. Hong and Mr. Gao each as to 50%	[●]	[●]%

Note: Without taking into account any Shares which may be issued and allotted pursuant to the exercise of options which may be granted under the Share Option Scheme.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of the Shareholder passed on 15 November 2010:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of our Shareholders, to compensate such employees for their contribution based on their individual performance and that of the Group and to retain and attract high calibre working partners whose contribution are or may be beneficial to the growth and development of the Group.

The terms of the Share Option Scheme provide that in granting options under the Share Option Scheme, the Board can determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme can be exercised. The Board will also determine the price per Share at which a Grantee (defined below) may subscribe for shares upon exercise of an option according to the terms of the Share Option Scheme. With such conditions, together with the incentive that the option will bring about, the Board would be able to ensure a specified level of standard, which the Board believes, will serve the purpose of the Share Option Scheme.

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2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may from time to time grant options to (i) any executive Director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest (“Invested Entity”); (ii) any non-executive Director (including independent non-executive Directors) of our Company, any member of our Group or any Invested Entity; and (iii) any such other person as the Board may consider appropriate (collectively “Qualified Participants”).

3. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to: (i) the [●] taking place in accordance with its terms; (ii) the passing of the necessary resolutions to adopt the Share Option Scheme by the Shareholders; and (iii) [●] (the “Conditions”).

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for [ten] years (the “Scheme Period”) from the date (the “Adoption Date”) on which the last of the Conditions is fulfilled until the end of the Scheme Period, after which time no further option may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

4. Grant of options

(a) Making of offer

An offer of the grant of an option shall be made to a Qualified Participant in writing (“Offer Letter”) in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme).

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The offer shall remain open for acceptance for a period of [10] business days from the date on which it is made (“Offer Date”) PROVIDED THAT no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme. Unless otherwise determined by the Board and stated in the Offer Letter, a Grantee is not required to achieve any performance targets before the vesting of the option, or before the option can be exercised.

(b) Acceptance of an offer

An option shall be deemed to have been accepted by the Qualified Participant (the “Grantee”) and to have taken effect after the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance set out in paragraph 4(a) above. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the Offer Date to the Qualified Participant.

(c) Restrictions on time of grant

- (i) No grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until the price sensitive information has been announced pursuant to the requirements of [●]. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:
- (1) the date of the Board meeting as such date is first notified to [●] in accordance with [●] for the approval of the Company’s results for any year, half-year or quarter or any other interim period (whether or not required under [●]); or
 - (2) the deadline for the Company to publish an announcement of its results for any year or half-year under [●] or quarter or other interim period (whether or not required under the [●]);

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

- (ii) No grant of options shall be made to a Qualified Participant who is a Director during a period in which the Directors are prohibited from dealing in Shares pursuant to [●], or the Company’s own equivalent code.

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(e) Grants to substantial shareholders and independent non-executive Directors

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed Offer Date:

- (i) would represent in aggregate more than 0.1 per cent of the Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under [●] from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under paragraph (e), [●] of the Company must abstain from voting unless he is intending to vote against the proposed grant and that intention has been stated in the circular to be dispatched to Shareholders in accordance with [●]. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of [●].

5. Subscription price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “Subscription Price”) shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by the Board but in any event shall be at least the highest of:

- (i) the closing price of the Shares as stated in [●];
- (ii) the average of the closing prices of the Shares as stated in [●]; and
- (iii) the nominal value of the Shares;

6. Maximum number of Shares available for subscription

(a) Scheme Mandate

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at [●] (“Scheme Mandate”) which is expected to be [●] Shares (or such number of shares as shall result from a sub-division or consolidation of such [●] shares from time to time). For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

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(b) Refreshment of Scheme Mandate

The Company may seek approval by our Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company under the Scheme Mandate as refreshed must not exceed 10% of the total number of Shares in issue as of the date of shareholder approval. Options previously granted under the Share Option Scheme and any other share option schemes of the Company, including those outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted.

(c) Grant of Options beyond Scheme Mandate

The Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought.

(d) Maximum number of Shares issued pursuant to Options

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(e) Grantee’s maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in [●], the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

7. Reorganisation of capital structure

(a) Adjustment of options

In the event of any alteration in the capital structure of the Company whilst any option becomes or remains exercisable (whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company but not including an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:

- (i) the number and description of Shares subject to each option;
- (ii) the Subscription Price;

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(iii) the method of exercise of the Option; and/or

(iv) the number of Shares subject to the Share Option Scheme.

that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value.

(b) Auditor’s certificate

On any capital reorganisation other than a capitalisation issue, the auditors or an independent financial adviser shall certify in writing to the Board that the adjustments made by the Board pursuant to sub-paragraph 7(a) above are in their opinion fair and reasonable.

8. Cancellation of options

Subject to the consent from the relevant Grantee, the Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee. A Grantee whose options are cancelled may be issued new options in accordance with the provisions of this Scheme, provided that the issue of such new options is made with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraphs 6(a) to 6(c).

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (except that the Grantee may nominate a nominee, of which the Grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the Grantee and the nominee has been provided to the satisfaction of the Board).

10. Rights attaching to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* with the fully paid Shares in issue on the date of allotment. Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment. A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of the Company.

11. Exercise of options

(a) General

Subject to the terms of the Share Option Scheme and this paragraph 11, an option (to the extent that it is vested and/or exercisable pursuant to the terms and conditions set out in the Share Option

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Scheme and the Offer Letter) may be exercised by the Grantee (or his or her legal personal representatives) at any time during the period of [10] years commencing on the Offer Date (the “Option Period”) provided that the option has not lapsed for any reason set forth herein.

(b) Rights of Grantee upon his retirement or death

If the Grantee (being an individual) ceases to be a Qualified Participant by reason of retirement or death, the Grantee or his legal personal representative shall be entitled within a period of 12 months from the date of retirement or death (or within such longer period as the Board may determine) to exercise the option (to the extent it has become exercisable and not already exercised).

(c) Rights of Grantee upon his cessation of employment under certain circumstances

If the Grantee (being an employee) ceases to be a Qualified Participant for any reason other than his retirement or death or termination of his employment on one or more of the grounds specified in sub-paragraph 12(iv) below, the Grantee may exercise the option (to the extent it has become exercisable and not already exercised) up to the date of cessation or for such longer period as is determined by the Board.

(d) Rights on a takeover

In the event of a general offer, whether by way of take-over offer, scheme of arrangement or otherwise is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror and the offer becomes or is declared unconditional during the Scheme Period of an outstanding option, the Grantee shall be entitled to exercise the option (to the extent not already exercised but whether vested or not) at any time before the expiry of the period of ten business days following the date on which the offer becomes or is declared unconditional.

(e) Rights on a voluntary winding up

In the event a notice is given by the Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this sub-paragraph 11(e)). Upon receipt of such notice, each Grantee shall be entitled to exercise all or any of the option (to the extent not already exercised but whether vested or not) at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by the Company, the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

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(f) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date two calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise the option (to the extent not already exercised but whether vested or not), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. The Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. Upon such compromise or arrangement becoming effective, all options for the time being outstanding shall lapse except insofar as previously exercised under this paragraph. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of this Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12. Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraph 11(b) [and 11(c)]/[to 11(d)] above;
- (iii) the date of the commencement of the winding-up of the Company in respect of the situation contemplated by paragraph 11(e);
- (iv) the date the scheme of compromise referred to in paragraph 11(f) becomes effective;
- (v) the date on which the Grantee (being an employee) ceases to be a Qualified Participant by reason of the termination of his employment on any one or more of the following grounds:
 - (1) that he has been guilty of misconduct; or

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- (2) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or
 - (3) that he has been convicted of a criminal offence involving his integrity or honesty; or
 - (4) on any other ground on which an employer would be entitled to immediately terminate his employment pursuant to applicable laws or under the Grantee’s employment contract; or
 - (5) and a resolution of the Board (or the board of directors of the relevant Group Company or Invested Entity) to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this subparagraph 12(iv) shall be conclusive;
- (vi) the date on which the Grantee commits a breach of paragraph 9 above.
- (vii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation; and
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter.

13. Amendment of the Share Option Scheme

(a) Amendments requiring Board approval

Any amendment to the Share Option Scheme other than those set out in sub-paragraph 13(b) below must be approved by a resolution of the Board or the scheme administrator of the Company.

(b) Amendments requiring shareholder approval

Subject to sub-paragraphs 13(c) and (d), the following matters require the prior sanction of a resolution of the Shareholders in general meeting:

- (i) any change to the provisions relating to:
 - (1) the purpose of the Share Option Scheme;
 - (2) the definitions of “Grantee,” “Holding Period”, “Option Period,” “Qualified Participant” and “Scheme Period” contained in the Share Option Scheme; and
 - (3) the provisions relating the Scheme Period, the grant of option, the Subscription Price, granting options to [●], the exercise of options, the lapse of options, the maximum number of shares available for subscription, cancellation of options, reorganisation of capital structure, termination and amendments of the Share Option Scheme;

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which operates to the advantage of Qualified Participants or Grantees;

- (ii) any change to the authority of the Board or the scheme administrator;
- (iii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature; and
- (iv) any amendment to the terms of options granted.

(c) *Amendments requiring the super majority consent from the Grantees*

Notwithstanding any approval obtained pursuant to sub-paragraphs 14(b) above, no amendment shall operate so as to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of the number of Grantees that together hold options in respect of not less than three quarters in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

14. Termination

The Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of our Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. In particular, all options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme. As at the date of the document, no option has been granted by the Company under the Share Option Scheme. The Company will not grant options under the Share Option Scheme which will be exercisable within six months from the [●].

15. Present status of the Share Option Scheme

As of the date of [●], no option has been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong, the BVI, the PRC, Switzerland and other jurisdictions in which the companies comprising our Group are incorporated.

Estate Duty and Tax Indemnity

Our Controlling Shareholder entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries). Our Controlling Shareholder

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has given indemnities in respect of, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by virtue of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended from time to time)) to any member of our Group on or before the [●], and (b) any tax liability which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the [●], but does not cover taxation:

- (i) to the extent that provision has been made for such taxation in the audited accounts of our Group for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010; or
- (ii) falling on any member of our Group in respect of any accounting period commencing on or after 1 July 2010 unless liability for such taxation would not have arisen but for some event entered into by, our Controlling Shareholder, members of our Group or any of them (whether alone or in conjunction with some other event whenever occurring) otherwise than in the course of normal business on or before the [●]; or
- (iii) to the extent that such taxation arises or is incurred as a consequence of any change in the law or the interpretation thereof or practice by the Hong Kong Inland Revenue Department or any other relevant authority anywhere having retrospective effect coming into force after the deed becomes unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the deed becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period); or
- (iv) to any incomes, profits or gains earned, accrued or received by any event occurring after [●] (or a later date as the parties may agree).

[●]

Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business — Litigation” in this document, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, so far as our Directors are aware, no litigation, arbitration or claim of material importance is pending or threatening by or against any member of our Group.

Preliminary expenses

The preliminary expenses of our Company in relation to our incorporation are estimated to be approximately [●] and are payable by our Group.

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Particulars of the [●]

The particulars of the [●] are set out as follows:

Name:	Bain Capital TP Holdings, L.P.
Place of incorporation:	Cayman Islands
Date of incorporation:	8 August 2006
Registered office:	c/o Walkers SPV Limited, Mary Street, P.O. Box 908GT, George Town, Grand Cayman, Cayman Islands

[●]

[●]

Name:	CDH Packaging Limited
Place of incorporation:	British Virgin Islands
Date of incorporation:	14 April 2005
Registered office:	Kingston Chambers, PO Box 173, Road Town Tortola, British Virgin Islands

[●]

[●]

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Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for the consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founder, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commission, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (v) no commission has been paid or is payable for subscription agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
 - (vi) our Group has no outstanding convertible debt securities or debentures.
- (b) No member of our Group is presently listed on any [●].
- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve months immediately preceding the date of this document.
- (d) All necessary arrangements have been made to enable our Shares to be [●].
- (e) Our Directors confirm that there has been no material adverse change in the financial or trading position or document of our Group since 30 June 2010 (being the date to which the latest audited combined financial statements of our Group were made up).
- (f) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Island Companies Law.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) As of the date of this document, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.